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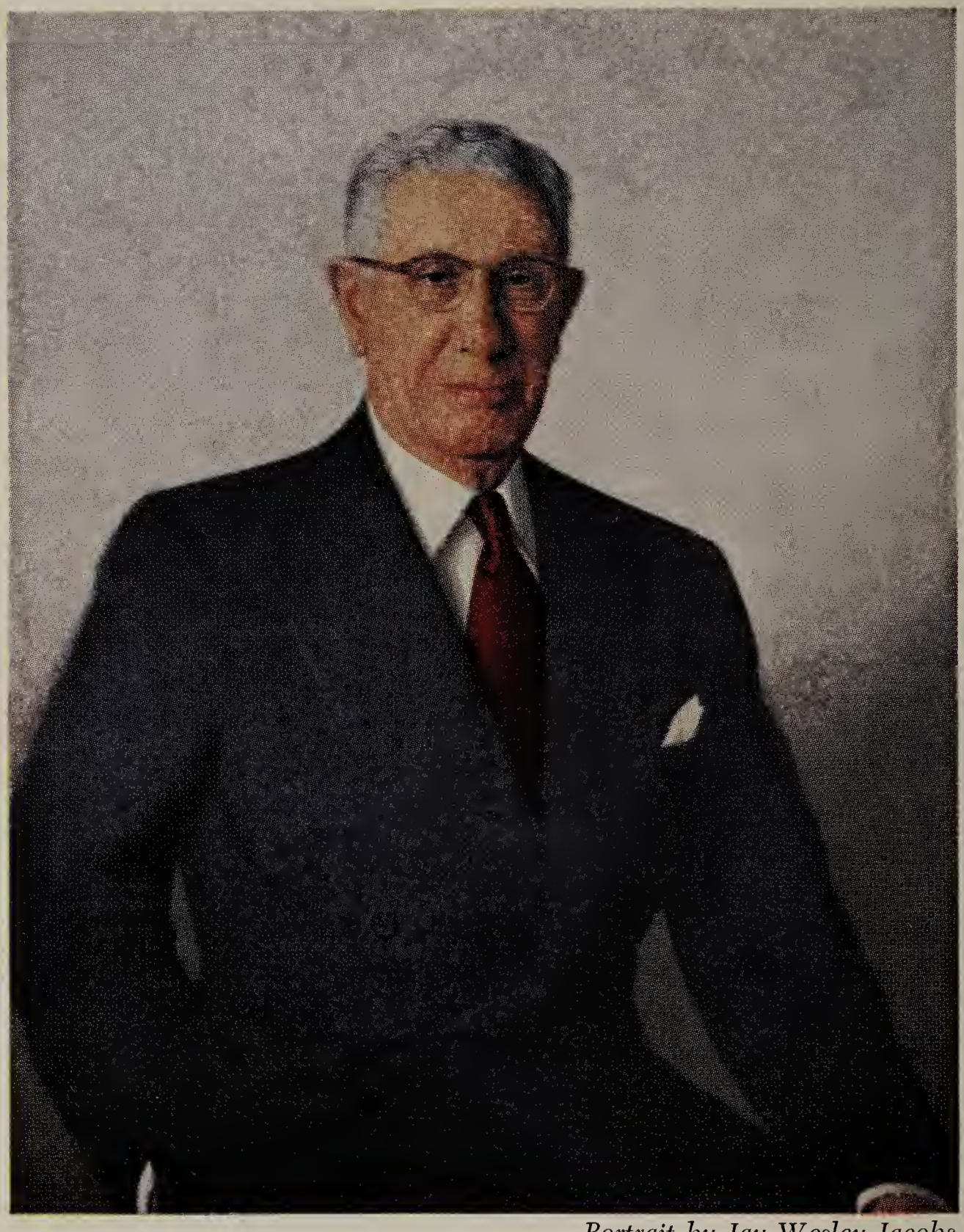
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Portrait by Jay Wesley Jacobs

ISAAC B. TIGRETT

The

GULF, MOBILE and OHIO

A RAILROAD THAT HAD TO EXPAND OR EXPIRE

By JAMES HUTTON LEMLY

ASSISTANT PROFESSOR OF BUSINESS ADMINISTRATION
UNIVERSITY OF GEORGIA

INDIANA UNIVERSITY SCHOOL OF BUSINESS STUDY NO. 36

1953

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Foreword

THE School of Business of Indiana University took the initiative in this joint research project with the Gulf, Mobile and Ohio Railroad. The reasons were simple but important. First, GM&O was one of the bright spots of railroad history in this century. Few companies and no railroads had displayed such growth. Second, the transition of bankrupt short lines into a progressive, dieselized major system surely offered lessons in business enterprise for other companies. And last, but not least, James H. Lemly was available for the project. He had been reared within whistling distance of the line. Lemly has drawn heavily upon his academic and business background to chronicle and to analyze the rise of the GM&O. He was given unlimited access to records of the company and to the memories and judgment of employees from I. B. Tigrett down, through all levels of the organization. No part of the research or writing was censored by any official of the company.

L. L. Waters, Professor of Transportation and Business History of Indiana University, started and organized the study, supervised the three-year research, and contributed greatly to its scope and scholarly treatment.

I take special pride in the release of the publication as Indiana Business Study No. 36 and call attention to the fact that courage, integrity, imagination, and the common touch are still the essentials of business enterprise.

826900

A. M. WEIMER
Dean, School of Business
Indiana University

BLOOMINGTON, INDIANA
July, 1953

Acknowledgement

It is a pleasant duty to state that many people have assisted in the preparation and completion of this volume, even though the finished product is entirely my own responsibility.

As Dean Weimer stated in the foreword, the idea for the project originated in Bloomington, Indiana, in the fertile mind of Professor L. L. Waters, who has offered continuous inspiration as the study progressed. Dean Weimer, himself, gave constant and strong support and Professor R. C. Turner was most helpful in putting the earlier version of this work in final form.

The Gulf, Mobile and Ohio Railroad Company was hesitant at first to allow the project to be undertaken. Mr. Tigrett was not "sure that the history of the GM&O was worthy of special study, because it was still a new company which had not yet accomplished much" in its field of action. Once these objections were overcome, the Company and all of its employees offered wholehearted co-operation. All records and files of the Company were made available for unrestricted and unsupervised use. Many of the official family of the railroad as well as many of the operating employees have given freely of their time to answer questions which often may have seemed foolish to them. It is impossible to mention all who were of help to me but I cannot fail to thank Mr. Berney Sheridan, Assistant Vice-President in charge of public relations and his assistants who have been ready at all times to provide information or to suggest others who had more specific knowledge.

My two children, Mary Morrison and Jim Hutton, have been very patient while I spent many hours at work which to them seemed endless. My wife, Onice W. Lemly, has served splendidly as typist, tabulator, editor, grammarian, and auditor.

James H. Lemly

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Introduction

Introduction

> The roads you travel so briskly lead out of dim antiquity, and you study the past chiefly because of its bearing on the living present and its promise for the future.
>
> —Lieutenant General James G. Harbord

The two main purposes of this history of the rise of the newest of America's major rail systems are clearly and concisely emphasized in the quotation repeated above. The first purpose of this analysis of the Gulf, Mobile and Ohio (GM&O) is to "study the past" in order to gather together the basic facts about the growth of the Company. The second objective is to examine the collected information in an effort to discover the main factors which have been responsible for the growth of the Company in order to determine "its bearing on the living present and its promise for the future."

The GM&O system has increased from 409 miles of decrepit main line in 1920 to a comparatively strong road with 2,800 miles of main line in 1952. Most of this mileage has been added by acquiring neighboring or connecting lines which appeared to be as devoid of basic value as the parent road. Somewhere in its growth program the GM&O has tapped seemingly invisible sources to secure strength which has enabled the company to develop into a major unit in the railroad network of the United States.

Many people have believed that consolidation of competing or connecting lines offers the brightest hope for improving the operating efficiency and profitability of a number of the sick railroads of the country. Since the GM&O has been one of the most successful followers of the consolidation idea, its growth has been discussed often when the problems of weak railroads are under consideration. This analysis of the growth of the GM&O is designed to shed light on the importance of consolidation as one factor which has strengthened the road in the period from 1920 to 1952.

In a period when many older and presumably stronger rail systems either were making slow progress or were losing ground finan-

cially, the GM&O was creating, out of bankrupt pieces of rail lines, a strong co-ordinated rail system, which so far has been successful financially. Another of the unusual features of its growth is that this program developed out of a company whose assets were excessively weak. The parent road was in such wretched shape in its early days that the major banking houses of the territory served by the road did not consider it a safe place even for operating capital. In spite of this, in spite of the greatest depression known to American railroads, in spite of the opposition of some of the strongest railroad systems in the country, a merger program took shape and progressed to the position in which today we find the GM&O.

For these reasons it was felt that an analysis of the factors which influenced the growth of this road might prove of interest, and be valuable, to students of the rail transportation systems of the United States. Critics will be quick to point out that, because the circumstances surrounding the growth of the GM&O are unique, the growth of this system has no lessons for the majority of railroad enterprises today. This would be a valid criticism if the purpose were to hold up the GM&O as a specific example for other roads to follow. Such, however, is not the plan of attack for this study. Instead of the GM&O's being used as an example, it will be used much as a guinea pig for experimental purposes. The plan is to try to discover the factors which led to the present success of this carrier so that those who are working on other railroad problems can determine whether or not they face similar situations. Thus it will be the duty of others to determine for themselves whether or not the experiences of the GM&O may be of value in solving other specific cases.

The Gulf, Mobile and Ohio Railroad Company is, relatively speaking, a very new railroad. Its corporate operations began in September, 1940, when the old and famous Mobile and Ohio (M&O) merged with the younger and less famous Gulf, Mobile and Northern (GM&N). Although the M&O was much the older of these two southern lines, the GM&N must be considered the "parent" road in this merger. The M&O was in bankruptcy, and it had no effective corporate leadership. The GM&N, although young, was financially sound, and it had a corporate management team which was determined to continue to provide its territory with the best transportation service commensurate with the ability of its shippers to pay for improved service. Practically all of the effort in planning and executing

the merger came from the management of the GM&N. For this reason, a study of the growth of the GM&O must go back to the growth of the GM&N for its foundation.

The GM&N began its operations on January 1, 1917, as the result of a lengthy and drastic reorganization of the older New Orleans, Mobile and Chicago Railroad. Because the railroads of the United States went under control of the Director General of Railroads in December, 1917, the GM&N had little time to improve on the predecessor road's activities. The company stayed alive during the years of World War I, but it had almost no control of its own affairs. When the federal government turned the railroads of the country back to private management in March, 1920, the GM&N was, in effect, still a new, untried operating organization. Since a new management was chosen to assume control of the affairs of the company at this same time, the date of March, 1920, has been taken as the time at which this study of the growth program of the GM&N–GM&O should begin.

The early history of the lines which preceded the formation of the GM&N has not been ignored, but it has been subordinated to the more recent activities of the Company. This has been done in a conscious effort to devote the greater part of this study to the period of the greatest growth of the Company. The early history of the road is not unimportant, but its later history holds more interest to students of current railroad affairs.

The history of other roads which have entered the GM&O system has been treated in a manner similar to the early history of the parent GM&N. At least two of these roads, the M&O and the Alton Railroad, the latter of which was merged into the GM&O in 1947, have had longer and more important careers than the Company which directed the merger program. Both of these companies deserve to have separate studies made of their early years because both were major pioneer roads of great importance in their respective sections. For various reasons, however, both roads failed to achieve and maintain a strong corporate position, and both passed under the control of the management team which had grown up through the smaller, but more aggressive, GM&N.

The study proceeds from March, 1920, through the formative years of the GM&N to the present position of the GM&O. The historical portion of the study is contained in Parts I through III. Part

IV, an analysis of the importance of consolidation in the growth of the GM&N–GM&O, contains a summary of the factors which have been most important in the development of the road. Part V is composed of short histories of the "predecessor" roads prior to the time of their entry into the GM&N–GM&O system.

PART · I

The Formative Years

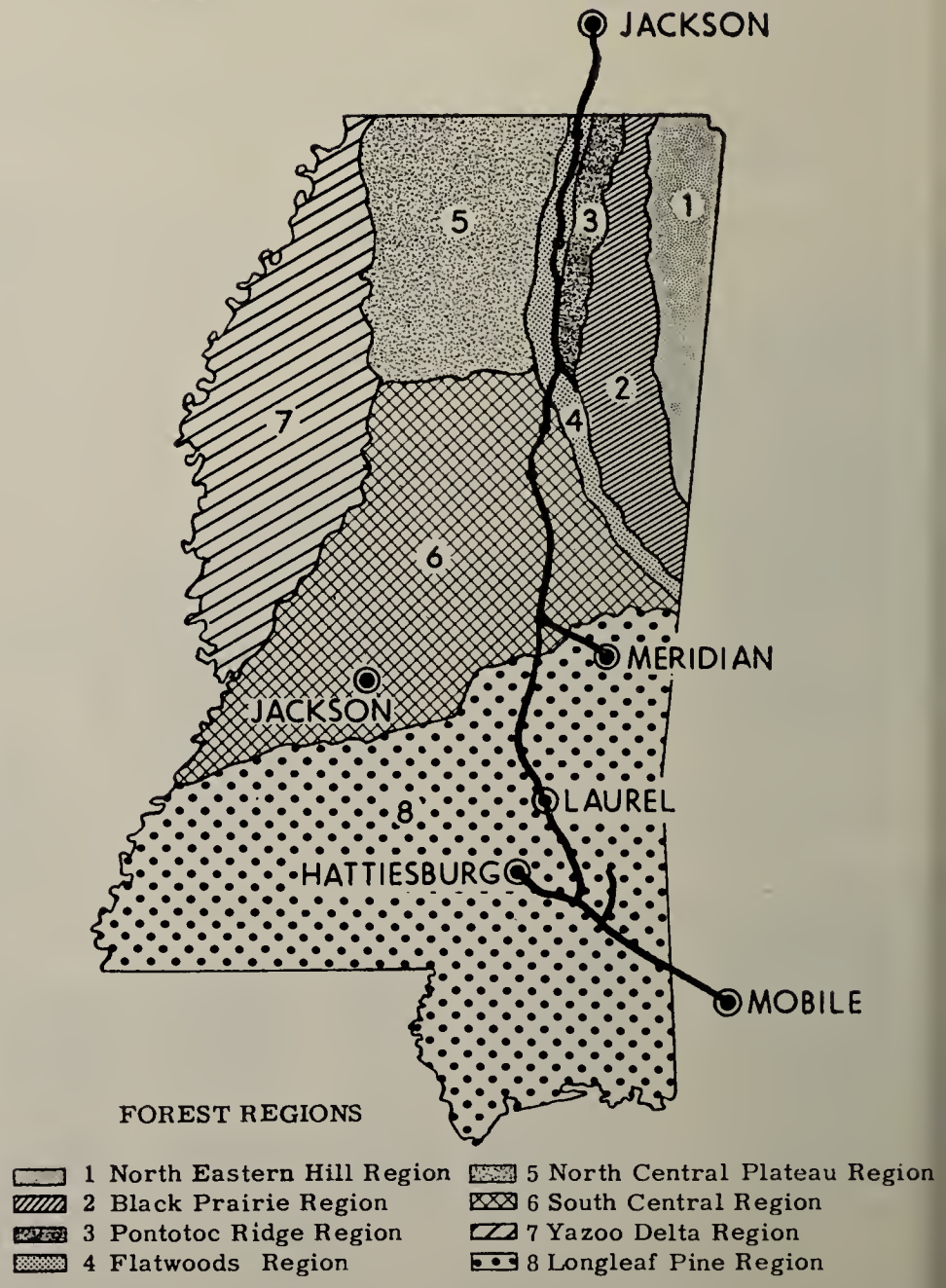
1920–1930

A typical MJ&KC track scene in the Mississippi Pine Belt.

Now the Mobile Master Mechanic's office, this building housed the general offices of the MJ&KC Railroad.

President Robinson ready to drive the last spike joining the MJ&KC and the G&C railroads.

Approximately 60 per cent of all GM&N tonnage in 1920 (and the rest of the decade) came from Mississippi's sawmills. The great majority of this timber was cut from the South Central Region (6), and the Longleaf Pine Region (8).



CHAPTER · I

The Gulf, Mobile and Northern in 1920

ROADWAY AND EQUIPMENT

THE GULF, MOBILE AND NORTHERN was definitely not a prize railroad, by national standards, when President Isaac Burton Tigrett[1] * accepted control from the federal manager on March 1, 1920. It was not held in high regard even by the low-income Mississippi farmers who lived along its lines, except as a source of cash money to be obtained via the damage-suit route. The open-grazing laws of the counties of South Mississippi undoubtedly caused an abnormally large number of livestock losses along the partially fenced right of way of the GM&N.‡ The constant need of many of the farmers for hard cash, coupled with the smoldering resentment of the American agricultural population against "corporations" in general and "railroads" in particular, led some worthless farm animals to be "sold" to the railroads. The Mississippi legal code, which provided that damage claims should be settled by the county jury system, made it quite easy for this to happen in some areas.

This GM&N of 1920, like its more famous and prosperous descendant, the Gulf, Mobile and Ohio (GM&O), was a product of merger, consolidation, and construction.[2] The newest part of the 409 miles of main line was the 40-mile span from Middleton, Tennessee, to Mr. Tigrett's home town of Jackson, Tennessee, county seat of Madison County. This stretch was so new in 1920 that the engineers were

* The footnotes appear at the back of the book.

‡ A List of Abbreviations of railroad names in general use appears at the back of the book.

still working on ballasting and still trying to stabilize some of the most troublesome deep cuts through the Tennessee hills.

The sector from Middleton south to Pontotoc, Mississippi, was the oldest part of the line. It was begun in 1871 and was built in large measure by the efforts of the colorful Colonel W. C. Falkner, Confederate military hero, author, and businessman. The labor to build most of these 62 miles of line was provided by Mississippi convicts, who were leased by the state to Colonel Falkner for subsistence and a few cents per day "rental." The first 24 miles, built between Middleton and Colonel Falkner's home at Ripley, Tennessee, were constructed for the purpose of moving the produce of the territory to market via connections with the Southern Railway (Southern). The next 38 miles, from Ripley down to Pontotoc, were built as part of a larger scheme to connect Ship Island, Mississippi, with the industrial North via Ripley and Colonel Falkner's road. Politics and personalities interfered, the grand project collapsed, and its properties were split. The southern section became known as the Gulf and Ship Island Railroad (G&SI), which built into Jackson, Mississippi, and later became part of the vast Illinois Central (IC) system.

Not long after Colonel Falkner built his sector of the future GM&N, another Southern promoter began work on a master rail plan. F. B. Merrill and associates, of Mobile, Alabama, saw that the great pine timber regions of South Mississippi were ready for the logger's axe. Moreover, a prime market existed for this unexcelled long-leaf pine lumber in the North and East, where usable timber was fast being cut out. In 1890 a railroad was chartered to tap much of the virgin timber area near Mobile. The road, as proposed, would run to Jackson, Mississippi; and, in the minds of the promoters, would extend eventually to the great rail terminus of the new West, Kansas City, Missouri. By 1902, the Mobile, Jackson and Kansas City, as the new railroad was called, had built all of 50 miles of line to the new city of Merrill, Mississippi, located in the swampy bottom lands of the Pascagoula River. Later, the road was built on to Beaumont and Hattiesburg, Mississippi; but about this time Merrill passed from the scene, and the objective no longer was Jackson and Kansas City, but Chicago. The new directors saw that the narrow-gauge 62-mile Gulf and Chicago, as Colonel Falkner's line was now known, would be in the direct line north; therefore, they bought control from the Falkner family. The Gulf and Chicago and the Mobile, Jackson and Kansas City were operated by one management, even though some

240 miles of Mississippi farm and forest land separated the two parts.

After several years of construction effort, during which the Gulf and Chicago was widened to standard gauge and countless lawsuits were fought, the rails were finally joined at Pearl River Bridge, near the village of Burnside. The New Orleans, Mobile and Chicago Railroad was organized to succeed the Mobile, Jackson and Kansas City, which collapsed soon after the "silver spike" was driven. The new line inherited the connected track and not much else. It is correct to say connected, rather than completed, because 54 miles of line were still unballasted in 1917, nearly ten years after construction of the road. No rail line through territory which has as much annual rainfall as Mississippi is completed until it is ballasted to keep it out of the mud.

The New Orleans, Mobile and Chicago itself collapsed in 1913 and finally was succeeded by the GM&N, which took charge from the receivers on January 1, 1917. Before the end of 1917, control of the property passed, as did that of most other railroads of the nation, to the federal government. Thus it was not until 1920 that the GM&N really had a chance to show what it could do with the line.

In addition to its 409 miles of main line, the GM&N in 1920 had three branches, none of which was regarded as a permanent connection by the incoming managers. The most prosperous of these was the Blodgett branch, which was the newest of the three and was still being extended in 1920. It ran from McLean Junction to Piave, a distance of 28 miles, and opened up an extensive timber area between the GM&N and the Mobile and Ohio Railroad (M&O). During 1920 its tonnage was good, but it definitely was a temporary operation which would later be abandoned.[3]

The Hattiesburg branch, which joined the main line at Beaumont, was no longer of material value to the GM&N, because of the better lines of communication out of Hattiesburg via the New Orleans and Northeastern Railroad (NO&NE). Most of the freight and passenger business from Hattiesburg either went to New Orleans or moved northbound from Meridian, Mississippi, over the Southern, parent company of the NO&NE. Thus, in spite of the GM&N's desire to increase tonnage instead of lose it, this 27-mile line to Hattiesburg was soon given up. In 1921 the branch was leased to the Mississippi Central (MSC), a small east-west road; and in 1925, it was sold to the Tatum Lumber Company of Hattiesburg, primarily as a log hauler for that company's saw mills.[4]

The third branch, the 6½ miles from Ellisville Junction to Ellisville, also located on the NO&NE, was in the process of abandonment. This move was carried out in spite of the objections of Ellisville citizens. By permission of the Interstate Commerce Commission, the GM&N ceased to operate trains over it as of December 26, 1920.[5]

One segment of the GM&N, which was treated almost as a branch although it technically was a separate company, was the 30-mile Meridian and Memphis Railway.[6] The GM&N had bought all of the stock and all of the bonds of this road in 1918; and, in effect, the Meridian and Memphis was an integral part of the bigger company, although no effort to merge the two had been made. Rails of the Meridian and Memphis ran from Meridian to Union, Mississippi, where the main line was reached, thus putting the GM&N into Meridian, the largest city in Mississippi in 1920, with a population of 23,399.[7]

A good description of the physical characteristics of the GM&N as of June 30, 1917, was prepared by the Valuation Section of the Interstate Commerce Commission and was still quite accurate for 1920. Pertinent excerpts from the ICC report are reproduced below:

PHYSICAL CHARACTERISTICS OF ROAD[8]

Grades:

The maximum grade on the Mobile division between Mobile, Ala., and Louisville, Miss., is 1.4 per cent northbound and 1 per cent southbound. On the New Albany division between Louisville, Miss., and Middleton, Tenn., the maximum grade is 1 per cent in either direction. The ruling grades do not exceed 1 per cent.

Curvature:

The maximum curvature between Mobile, Ala., and Louisville, Miss., is 4°; while between Louisville, Miss., and Middleton, Tenn., it is 5°. . . .

Ties:

About 35 per cent of the crossties are creosote treated. The untreated ties are pine and oak. The number of ties per mile of main track is about 3,200.

Rails:

The main line from Mobile, Ala., to Laurel, Miss., is laid principally with new 70-pound rail; from Laurel to Louisville, Miss., with new 70 and 85 pound rail; and from Louisville, Miss., to Middleton, Tenn., with new 70 and 85 pound and relay 70-pound rail. The branch lines are laid chiefly with new 60-pound rail.

Ballast:

The main line is ballasted chiefly with gravel. Other materials used are principally cinders and sand. About 54 miles of the main line at various locations and practically all of the branch lines are earth surfaced. . . .

The physical property of the GM&N in 1920 had changed little since 1917, except that the property had been undermaintained because the line was not considered to be vital to the war effort.[9] By March, 1920, the Company had added one locomotive, but the number of freight cars had declined by thirteen. The number of passenger cars had not changed. One service car had been added. Both the roadbed and equipment were in bad repair at the time that the road was returned to its owners, but the condition of the roadbed was more critical than that of the equipment.

One of the best examples of the weakened condition of the roadbed in March, 1920, was the increase in expenditure which had to be made in 1920 over the year 1919. According to the *Annual Report* for 1920 the Company had to install 85,254 creosoted crossties, whereas in 1919 only 4,602 creosoted ties were used. The total number of treated and untreated ties was increased from 154,798 in 1919 to 215,184 in 1920. The amount of bridge material and piling which the Company was forced to use showed an even greater percentage increase than did the crosstie installation. In 1919 the road used 884,561 feet of bridge material, but in 1920 this was increased to 2,651,335 feet. Pilings used in 1919 amounted to 42,764 feet; in 1920 this figure was raised to 135,176 feet, an increase of more than 200 per cent. From this information it is easy to see that one of the first and biggest tasks the management faced at the beginning of 1920 was to put the physical property back into a semblance of operating order. All other plans hinged on getting a plant which could be operated somewhat on schedule.

ALABAMA TERRITORY SERVED BY THE ROAD IN 1920

Mobile has always been the site of the GM&N's home office and one of its biggest tonnage producers. Its 1920 population of 60,771 was about 10,000 more than in 1910. This meant that in 1920 Mobile was almost three times as large as Meridian, the GM&N's second largest city. In addition, the port of Mobile was the biggest single source of tonnage for the railroad, if one excepts the lumber tonnage produced by all the sawmill communities in Mississippi in combination. Since the timber of Mississippi adjacent to the GM&N was rapidly being cut out, the future of the railroad was tied to the future of the city and the port of Mobile. In 1920, however, Mobile was not active enough as a port or commercial center to keep its five rail lines busy hauling its freight tonnage. Except for brief wartime spurts in

shipbuilding and navigation, Mobile was in the commercial doldrums for many of the years following the Civil War. For a number of reasons, Mobile had been declining in importance in relation to the other Gulf ports, in spite of the fact that she was one of the oldest, and in years past had been one of the most prosperous among them. The records are not available before 1905; but for at least the fifteen-year period immediately prior to 1920 Mobile had been losing ground as a port to her old rival, New Orleans. Table 1 shows all too clearly the deterioration of Mobile's harbor activities.[10]

TABLE 1

MOBILE'S WATERBORNE COMMERCE, BOTH FOREIGN AND DOMESTIC, AS COMPARED WITH THAT OF NEW ORLEANS, FOR THE YEARS 1905–20

	MOBILE		NEW ORLEANS		% MOBILE OF N.O.	
	Tons	Value	Tons	Value	Tons	Value
1905	1,755,213	$47,697,160	3,478,976	$ 227,706,950	50.45	20.95
1910	1,377,901	50,123,391	3,964,109		34.75	
1915	1,579,804	46,440,771	6,536,132	368,825,630	24.17	12.59
1920	1,655,215	93,613,242	10,513,863	1,066,634,876	15.74	8.78

SOURCE: *Annual Reports of the Chief of Engineers, U.S. Army,* for the years 1906, 1911, 1916, and 1921. Data for 1921 are found in Part 2, "Commercial Statistics." Data for prior years are found in reports on activities for Mobile and New Orleans.

Port facilities in Mobile in 1920 were extensive but not organized for the highest possible use.[11] The city and port of Mobile are located on the west bank of the Mobile River, some 33½ miles from the Gulf of Mexico. Within the downtown city, the Mobile River empties into Mobile Bay, which is wide and very shallow over most of its area. The lower part of the bay deepens considerably and opens into the Gulf through a rather narrow pass called Mobile Bar. By June, 1914, a ship channel had been dredged from Mobile Bar to the docks of the city, with a usable minimum depth of 26½ feet at low tide. In 1920 this still was the usable depth, but a U.S. Department of Engineers project was under way which, when completed, would deepen this channel to 30 feet.

Back of Mobile there was a river channel, extending up the Mobile, Tombigbee, and Warrior rivers for 443 miles, which in 1920 had a 6-foot depth and provided barge navigation to the coal fields of north central Alabama. This river channel had been finished in 1915, and by 1920 an extensive river trade had developed.

Barge navigation also extended through Mobile Bay into the Inland Waterway, running east and west along the Gulf. Most of this

traffic consisted of petroleum products barged into Mobile from the eastern Texas and western Louisiana refinery ports of Port Arthur, Texas, and Lake Charles, Louisiana.

Terminal facilities at Mobile were in large measure owned by the railroads serving the area. The M&O and the Southern jointly owned or used the best wharves and docks in the city. The Louisville and Nashville (L&N) owned about 1 mile of the commercial water front, much of which was well located but was not in active use. The Alabama, Tennessee and Northern (AT&N) was a newly consolidated road in 1920 and had little in the way of port facilities. The GM&N owned an extensive area of water front south of the city, but only a small part of that was developed. The city of Mobile owned some dock and wharf space, but this was used chiefly by barge traffic on the various waterways. Turner-Hartwell Dock Company owned the best private facilities in the area and was, in fact, servicing the GM&N and the L&N to some extent. There was no belt or harbor rail system in 1920, and some felt this to be the greatest defect in the port structure. A federal government survey of the port in 1916 put it this way: "The lack of proper coordination between the several railroads and the various terminals appears to be the greatest deficiency in the facilities at this port."

In spite of this rather dark picture, there were a few bright spots pointing to a possible change in Mobile's future. Many people in Mobile had seen their businesses failing to grow and for a number of years had been agitating for a change. As early as 1914 the Mobile Chamber of Commerce had carried the problem of railroad confusion and lack of co-operation to the Interstate Commerce Commission in Finance Docket No. 5899, Mobile Chamber of Commerce *et al.* v. Mobile and Ohio Railroad *et al.*[12] On November 30, 1914, the Commission ruled in favor of the city of Mobile and ordered the railroads serving the port to make certain changes to prevent continued discrimination. The M&O and the Southern were ordered to set up reciprocal switching in the entire port area and to allow any and all carriers to serve ships through the docks owned by the two roads. The L&N was ordered to issue through bills of lading for cotton shipments through Mobile in exactly the same way it served Pensacola, Florida. This victory for Mobile over the private desires and programs of the competing railroads went a long way toward opening up the port facilities for better development. It also pointed the way for growth of Mobile's port by means of concerted action to obtain

better facilities and to make better use of those improved docks and wharves.

This agitation by the people of the city of Mobile also brought results in actions by the state of Alabama. Since Mobile was Alabama's only port, it was not too difficult to get the legislators to see the wisdom of assisting the city in its development program. No action was taken prior to 1920; but the interest and enthusiasm generated in this period finally led to the building of the new and modern Alabama State Docks, which were completed in 1929, to serve all phases of the port's development.

A project of more immediate benefit to the port in 1920 was the deepening of the channel to the Gulf. The U.S. Department of Engineers was deepening and relocating the channel, especially across Mobile Bar, so heavier ships could enter the bay. A depth of 33 feet at the bar and a 30-foot channel up to the city were the objectives of this program, which was to be completed in 1921. This depth was considered adequate for the near future for the harbor of Mobile and would allow all but the heaviest ocean liners to use the city's docks.

Through these projects, and others which the awakened city developed later, the port of Mobile has begun to live up to its possibilities and at the present time is rapidly increasing its port activity, rather than seeing it decline.

GM&N territory in Alabama other than Mobile offered little in the way of traffic for the road. Mobile County, through which the rails ran, had a rather poor sandy loam soil, once largely covered with pine timber but cut out long ago. As a farming section the county was destined to be a producer of vegetables, milk, butter, and eggs for the city of Mobile, rather than a producer in large quantity of any of the major crops that provide rail tonnage.

MISSISSIPPI TERRITORY SERVED BY THE ROAD IN 1920

Since some 90 per cent of the GM&N's main line and branch mileage in 1920 was in Mississippi, the economic prospects of Mississippi would tell heavily on the future prospects of the GM&N. National comparative averages might not show it, but in 1920 Mississippi was in the midst of the second boom in the state's hundred-year existence. It is true that her income and economy rose and fell somewhat in keeping with the rest of the nation, but these two booms were separate from that movement. The first boom period was before the Civil

War, when the lands of the state were new and fertile and cotton was still in such demand that there was no production question, except as to the amount which could be grown. The years 1861–65 ended that period; it has never returned, in spite of occasional years of high cotton prices due to war, the boll weevil, or other outside influences. The second boom period of major proportions was occasioned by the exploitation of the tremendous stands of virgin pine and hardwood timber which originally covered well over two-thirds of the entire state. This period began roughly about 1890 and lasted until the end of the national building boom in 1928–29. The GM&N was constructed as a common carrier in the early part of this era; and the foreseeable end of this boom, due to exhaustion of the timber, made its future appear not too bright. The road undoubtedly would have stopped service if for some reason its timber tonnage had been completely and permanently cut off in 1920. One of the biggest long-range problems of the new management would be the replacing of lumber tonnage with other commodities.

Mississippi, like most other land areas of equal size, is divided geographically, economically, and politically into smaller sections or unofficial subdivisions for comparative purposes. Because of the distance between Tennessee on the north and the Gulf of Mexico on the south, it is easy to divide the state geographically into North and South Mississippi. This basic division, because of geologic and economic differences, has been carried into the social and political life of the state. The Alabama and Vicksburg Railroad lies approximately 25 miles below the geographic center, but for practical purposes it has become the accepted dividing line within the state. This railroad, one of the oldest in the state, runs from Vicksburg, on the Mississippi River, through Jackson, the state capital, to Meridian, near the Alabama line. These three towns are now, and have been for the past 40 years, the largest in the state. People from both North and South Mississippi have gravitated to them; hence, they tend to form a neutral or buffer strip between the two big sections.

One more sectional unit in Mississippi should be mentioned here, because it is always used for comparative purposes when the wealth of Mississippi is discussed. By far the richest agricultural part of the state is the Delta. People not familiar with the geography of Mississippi immediately think of the Mississippi River delta, located well below New Orleans, and therefore question the name. In reality, it is derived from the fact that the Yazoo River flows into the Missis-

sippi just above the Vicksburg hills; hence, the area, strictly speaking, is the Yazoo-Mississippi delta, but by popular usage the state has adopted the shortened name. The Delta, elliptical in shape, by common description "begins in the lobby of the Peabody Hotel in Memphis and ends on Catfish Row in Vicksburg."[13] This is a distance of approximately 175 miles; its widest point, between Greenville on the Mississippi River and Greenwood on the Yazoo, is about 60 miles. The Delta comprises only about one-fifth of the land area of the state but produces close to one-half of all its agricultural wealth. This very rich and prosperous region produced no tonnage for the GM&N however, because the IC had seen its value long before 1920 and had pre-empted its railroad facilities.

The Delta is Mississippi's richest section; South Mississippi is, in general, the poorest from an agricultural standpoint. Bolivar, the richest of the Delta counties, produced agricultural crops worth $23,115,000 in 1920.[14] This was just about twice as much as the 1920 value of all crops in the seven South Mississippi counties through which the GM&N ran. The entire GM&N territory, that is, the sixteen counties served by the road, produced $38,900,000 in agricultural crops, whereas two Delta counties, Bolivar and Coahoma, together produced crops worth $39,848,000.

In timber production, however, the situation was reversed. South Mississippi and the counties just north of the Alabama and Vicksburg Railroad supplied the bulk of the timber Mississippi produced, as well as the bulk of the GM&N's tonnage. Of the road's sixteen counties, ten could be classed as major timber producers, and these ten counties had about 11 per cent of the state's population in 1920. According to the *Census of Manufactures* for 1919, these ten counties received 22 per cent of the industrial wages paid in the state.[15] These counties produced manufactured goods valued at 21 per cent of the state's total, and 23 per cent of the value added by manufacture was credited to these ten counties. Since approximately 64 per cent of Mississippi's industrial wage earners were engaged in logging or sawmilling, it is apparent that forest products played a tremendous part in the economic life of this sector of GM&N territory.

Mississippi had been a major producer of the nation's lumber for many years, and for a number of these years the exhaustion of this valuable resource had been foreseen by students of the industry. As early as 1909, C. E. Dunston of the United States Forest Service

made a survey of forest conditions in Mississippi and issued a warning about "the approaching exhaustion of the timber supply." It was so timely and portrayed so accurately the economic conditions surrounding the lumber industry that it is reproduced in Figure 1.

The six counties located north of the timber area of the GM&N were devoted almost exclusively to agriculture. The 1919 total of industrial wages paid in these six counties, with a total population of 102,772 in 1920, was only $513,000. Winston County, the northernmost of the GM&N's major timber-producing counties, had industrial wages of $546,000, with a population of only 18,139.

According to Dunston's 1909 study, the timber which had originally stood on much of the land in these six counties had long since been cut. Two of the six, Choctaw and Webster counties, were served by older railroads than the GM&N; hence, timber in these counties had already been exploited prior to the development of this road. The four remaining counties were in a tier of high arable lands which had been cleared first, when the northern part of Mississippi was opened to settlement. The town of Pontotoc had become the headquarters for federal land sales in this area soon after the Treaty of Pontotoc, which was signed in 1832. The county of Pontotoc was in the midst of this ridge land, which was highly fertile, but which was, unfortunately, much subject to erosion. E. N. Lowe, state geologist for Mississippi for many years, made the following comment about this Pontotoc Ridge region: "All the soils of this region are so mellow that they wash readily, and everywhere in the older cultivated lands, extensive erosion has scarred the slopes, rendering much of the land worthless."[16] This was the area served by Colonel Falkner's narrow-gauge road, which had been built through the heart of these counties to afford a means of moving the cotton crops of an earlier era to market. This accounts for the fact that the more northern part of the GM&N in 1920 did not run through the best timber left in these northern counties.

No mention has been made of mineral wealth along the GM&N in 1920, for the reason that there was virtually none producing tonnage or revenue for the road at that time. The oil of South Mississippi was not to be discovered until some 20 years later; and to the present time comparatively little use has been made of the clays and limestone rocks which make up the other potential mineral reserves now known to exist in the state. Mineral production in Mississippi

C. E. DUNSTON IN *FOREST CONDITIONS OF MISSISSIPPI*

Mississippi State Geological Survey, Bulletin No. 7, 1910

THE APPROACHING EXHAUSTION OF THE TIMBER SUPPLY.—According to the Census Report for the fiscal year 1908, Mississippi ranks third in the production of lumber in the country. It ranks third also in the production of yellow pine lumber, being surpassed in this respect by Louisiana and Texas. In the production of hardwoods it ranks tenth in oak, second in gum, fifth in tupelo, eighth in hickory and ash, tenth in yellow poplar, and first in cottonwood.

In general the average prices received for lumber in Mississippi are higher than in other States. The average price for yellow pine, cypress and hickory lumber is higher than in any other State. For oak lumber higher average prices are received only in New York and Indiana, where oak is very scarce and therefore expensive. This indicates both that the quality of the lumber in Mississippi is better than in most States, and that the transportation and market conditions are unusually good.

The Census Reports for 1907 and 1908 further demonstrate that the great timber resources of Mississippi are being rapidly depleted. In 1907 more lumber was manufactured in the State than ever before, and Mississippi held fifth place among the States in its production. In 1908, in common with all the great lumber States, Mississippi produced less lumber than in the preceding year, owing to the general business depression, but it advanced from fifth to third place. It is interesting to note that, while in 1907, 823 mills reported a cut of 2,094,485,000 board feet, in 1908 there were 905 mills which cut only 1,861,016 board feet. This perhaps indicates that the number of small mills in the State is increasing which is generally the case in regions where the timber supply is being exhausted. The large mills are forced to go out of business for want of a supply, but the small isolated bodies of timber are capable of sustaining numerous small portable mills, most of them.

Most of the longleaf pine land is held by large lumber companies, many of which operate mills cutting from 35,000,000 to 200,000,000 board feet a year. Comparatively little timber land is being held by companies or individuals as investments, because it would be necessary for stumpage prices to double within the next ten years if the owners were to realize an income of even eight per cent. Usually these large mills are heavily bonded, and the interest on the bonds

FIGURE 1

must be paid. This is the chief reason for the extensive exploitation of the timber.

For the past two years the average lumber prices have been so low that longleaf operators have barely met expenses. This was caused chiefly by the decrease in lumber consumption, due to the general business depression of 1907 and 1908, but partly, also, by an overstocking of the market, since the large mills, on account of their bonded indebtedness, were compelled to continue operating as long as lumber could be sold at any profit whatever. It is apparent, therefore, that the large mills will continue to log their holdings as rapidly as it can be profitably done. The majority of large lumber companies do not count on operating longer than from twelve to fifteen years. Only a few mills control enough stumpage to last twenty-five years, and in the entire longleaf pine region in Mississippi there are not more than two mills which can continue cutting at the present rate for forty years.

FIGURE 1—*Continued*

was so low in 1920 that the Census Bureau lumped Mississippi production with that of Louisiana—the only state so treated—, and no separate statewide records were kept.[17]

Perhaps the best indicator of the general lack of retail trade in Mississippi territory served by the GM&N is the fact that in 1920 only four towns in the entire area had a population over 2,500. One of these, Hattiesburg, with a population of 13,270, could not correctly be called a true part of GM&N territory, as it was at the end of a failing branch line. Meridian, also, was off the main line of the road, but it was much more vital to the road than was Hattiesburg. This left Laurel, with a population of 13,037, and New Albany, which just edged into the 2,500 class with a census count of 2,531. All the other Mississippi station points ranged below this figure, indicating that basically they were supply points for the farm and timber areas surrounding them.

TENNESSEE TERRITORY SERVED BY THE GULF, MOBILE AND NORTHERN IN 1920

Hardeman County, Tennessee, through which the GM&N ran after leaving Mississippi, was quite similar in topography and economic development to the North Mississippi counties immediately south of it. Its total of $4,113,000 for agricultural crops put it ahead

of Tippah County's $3,316,000 but slightly behind Union County's $4,207,000. Its $42,000 in industrial wages was behind Tippah's $52,000 and not quite half of Union's $94,000.

Madison County presented a better-balanced economy than most of the counties along the GM&N. Agricultural crops in Madison were valued at $5,824,000; and, in addition, Jackson, the county seat, was a thriving small city. Most of the $2,501,000 in industrial wages paid in 1919 went to the citizens of Jackson, but its force was felt throughout the county. Jackson's population had increased almost 20 per cent to 18,860 in the decade 1910–20. Many of its men worked in the railroad shops in the city or in other year-round occupations which helped to stabilize the county income to a marked degree.

The GM&N had built its line into Jackson, Tennessee, because of the extensive northbound rail connections there. From the information given above, it is easy to see other reasons why the line would be happy to have its terminus at Jackson instead of at Middleton. Jackson was not a huge trading or manufacturing area, but it so far outstripped the other towns on the northern end of the line that there could be no comparison. In later years someone was to say that the extension of the GM&N into Jackson was the best thing that ever happened to the road. When one examines the circumstances which surrounded this action, numerous reasons can be found to support this contention.

THE GULF, MOBILE AND NORTHERN'S TRAFFIC CONNECTIONS IN 1920

Because of the economic conditions existing in GM&N territory during 1920, the road could not hope to increase its local freight business very rapidly. There remained the other source of tonnage which exists for most railroads, its business done with connecting roads. The possibilities were these: (1) to get longer hauls and/or better rate divisions; (2) to get business being handled by other carriers; (3) to create new services or develop new customers for export or import business. Since this chapter is concerned with the status of the GM&N in 1920, the matters which are of interest here are the number of connections the GM&N had with other roads and the possibility of increasing traffic with each connection.

In 1920 Mobile was served by the M&O, the Southern, and the L&N as well as the GM&N and the AT&N. Since all of these roads hauled in a northerly direction, the only hope the GM&N had of

receiving tonnage at Mobile from these roads was the small amount of material that might be destined for some point served exclusively by the GM&N. The GM&N, as a junior road in Mobile, logically could not expect to get traffic that any of its older and stronger competitors could control.

North of Mobile, the first interchange connection was at Evanston, Mississippi, with the Mississippi Export Railroad, which in 1920 was known as the Alabama and Mississippi Railroad Company. This small road began at the then minor port of Pascagoula, Mississippi, which was also served by the L&N. For this reason, the connection at Evanston, while worth protecting, was not expected to become very profitable to the GM&N in the near future. The G&SI connected with the GM&N at Laurel and also at the almost-abandoned branch-line town of Hattiesburg, but it could not be expected to be of prime benefit to the GM&N because it ran northward to Jackson, Mississippi, where it connected with the IC. It could get a longer haul for itself by shipping over its own lines to Jackson, Mississippi, than by turning over northbound freight to the GM&N at Laurel or Hattiesburg. Furthermore, at both these points the GM&N had to face the competition of the NO&NE, which previously has been mentioned as a subsidiary of the Southern.

At Hattiesburg the GM&N connected with the MSC, which did provide some traffic bound for Mobile. This was of insignificant value, however, as is proved by the fact that only three years later the GM&N sold its Hattiesburg branch, in effect surrendering the value of this traffic.

The Alabama and Vicksburg Railway connected with the GM&N at Newton, Mississippi, some 30 miles west of Meridian. This point held little value for the GM&N because the Alabama and Vicksburg connected at Meridian with the M&O, as well as with the Southern, and at Jackson, Mississippi, on the west with the IC. Thus, the Alabama and Vicksburg could seek for itself the best deal to be offered by the IC, the GM&N, the M&O, or the Southern on northbound traffic. Southbound freight which the Alabama and Vicksburg controlled could be shipped via the Southern or the GM&N to Laurel, or via the M&O or the GM&N to the port of Mobile.

The GM&N subsidiary, the Meridian and Memphis, joined the main line at Union and because of this fact was a potentially valuable connection for getting freight into, and out of, the city of Meridian, Mississippi. At that point, however, the GM&N had to meet

the competition of the M&O and the Southern on northbound freight and on southbound freight to Mobile, Laurel and Hattiesburg as well.

Ackerman, Mississippi, was the next interchange point, and the road crossed at this point was a branch line of the IC. Naturally, the GM&N could not expect any through freight business from this connection. North of Ackerman, the next connecting point was Mathiston, where another of the Southern's Mississippi subsidiaries crossed the GM&N. This road, now known as the Columbus and Greenville, runs between those two points. The only freight interchange the GM&N received from this line was on local business, since the M&O's line was only 26 miles away at West Point, Mississippi.

One of the few really helpful connections of the GM&N was at New Albany, Mississippi, where the St. Louis–San Francisco (Frisco) line from Memphis, Tennessee, to Birmingham and Pensacola crossed the GM&N. The GM&N could expect to get a fair distribution from the Frisco on Mobile-bound freight or on freight bound north from Mobile which the Frisco could control. Even this junction was not without competition, however, for the M&O's line also crossed the Frisco at Tupelo, Mississippi, some 26 miles southeast of New Albany. The Frisco also had the opportunity of hauling on to Birmingham and giving the freight to the L&N at that point. This New Albany connection was of great value to the GM&N, however, for through business. Before the Jackson extension had been finished in 1919, almost no through freight went north of New Albany.

Middleton, Tennessee, where the GM&N crossed the Southern, was the next interchange point on the line. The GM&N could expect no advantage at Middleton, however, for Corinth, Mississippi, also on the Southern, was only 24 miles away. Since the Southern's subsidiary, the M&O, served Corinth, all north-south business which the Southern could control would be turned over to the M&O at this point. The only other point of contact was Jackson, Tennessee, the northern terminus. Here the GM&N had physical connection and close working ties with the Birmingham and Northwestern, which for all practical purposes extended the line of the GM&N to Dyersburg, Tennessee thus enabling the GM&N to connect at Bells with the L&N. At Jackson, the GM&N also had connections with the IC and the Nashville, Chattanooga and St. Louis (NC&STL), which ran northward to the Ohio River crossings at Cairo, Illinois, and Paducah, Kentucky.



Top: Mineral exploration along the GM&N right of way. *Right:* The first issue of GM&N NEWS, November 4, 1921. *Bottom:* The GM&N entry in a community celebration.

G. M. & N. NEWS

Published by the Gulf, Mobile & Northern Railroad

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MR. TIGRETT MAKES STATEMENT WITH REFERENCE TO STRIKE

Mr. I. B. Tigrett, president of this road in a newspaper interview during the latter part of October expressed his confidence in the employes of the G., M. & N. with reference to the strike, which was then pending. The interview was given to the Mobile papers and published in several others papers along the line.

When asked what steps would be taken in the case the employes of the Gulf, Mobile and Northern should strike, Mr. Tigrett replied, "I am not ready to discuss such a possibility. I am not going to even conjecture that our men will defy the laws of the United States and violate their contracts with the Company, and attempt to still further burden the Company that has been their source of livelihood—no matter who might order them to do so."

Continuing, Mr. Tigrett said, "I am compelled to assume that our men will not strike. In the first place, there is nothing—insofar as my knowledge goes—but good-will and cooperation existing between our Management and our men. Furthermore, we have contracts with our men which provide for certain procedure in case of a grievance, which procedure specifies a due and proper notice. It is a source of satisfaction to the Management that no notice of any dissatisfaction of any kind has been made by the employes.

"I have every right to assume that our men are law abiding citizens who will follow the decisions of the tribunals established by the Government, and that they are also loyal to the interests of the Company which provides employment for them. I think I am justified in this view by their actions in the past.

"Months ago when the still higher wages were prevailing and this Company was daily losing money, and when the question of cutting wages without waiting for the decision of the Labor Board was being discussed by many railroads, I announced at a mass meeting of our men that regardless of what any and every other railroad in the United States might do, they could rely on this Company obeying the decisions of the Labor Board, even though it might entail even heavier losses. Our men at that mass meeting applauded that sentiment vigorously, indicating their approval of this policy.

CHAIRMAN PLATTEN IS WELL PLEASED FOLLOWING INSPECTION

Chairman J. W. Platten of the Board of Directors, and Consulting Engineer Coverdale, of New York, recently made an inspection trip over the lines of the G. M. & N., at the conclusion of which Mr. Platten addressed the following very pleasing letter to Mr. Tigrett:

GULF, MOBILE AND NORTHERN RAILROAD COMPANY
MERIDIAN AND MEMPHIS RAILWAY COMPANY

Mobile, Ala., October 6, 1921

Dear Mr. Tigrett:

In completing the trip over the line, I am pleased to confirm what I said to you of the very favorable impression made in respect of the roadway and track. The clean and well kept condition of the shops, the stations and the right-of-way is particularly noteworthy in the face of the adverse traffic and financial conditions. It clearly evidences the close cooperation in your official family and the hearty support of the men down the line.

I shall take great pleasure in conveying my views, as well as those of Consulting Engineer Coverdale, to the Directors who, I am sure, will be most gratified to have the above information.

Yours very truly,
(Signed) J. W. PLATTEN,
Chairman

Mr. I. B. Tigrett, President,
Gulf, Mobile and Northern Railroad Co.,
Mobile, Ala.

PASSENGER EARNINGS SMALL FAE FROM SATISFACTORY

The passenger earnings of the Company are not satisfactory.

For the month of August, the receipts per mile of road operated on the following roads, which are located in our territory wer as follows:

Gulf and Ship Island	$150.00
Alabama and Vicksburg	$142.00
Mobile and Ohio	$989.00
	$ 72.00
hern	$180.00
s	$114.00
ern	$ 99.00

ful suggestion?

TRAFFIC DEPARTMENT GOES AFTER BUSINESS: REACHES GOAL

The goal set for the Traffic Department of securing a million dollar's worth of business between October 15 and December 31st is being tackled by all the agencies in that department with a determination that indicates success. A bulletin was sent out from Mr. Tigrett's office urging that every effort be made; and in response thereto, business for the last half of October shows a decided increase. The first week of that period showed business of $55,000, while it is unofficially estimated that the business for the entire half will be approximately the goal set, $200,000.

Following is the letter sent out by Mr. Tigrett:

TO THE TRAFFIC DEPARTMENT AND ALL OTHERS INTERESTED.

Last year the Gulf, Mobile and Northern Railroad failed to earn its operating expenses by more than $700,000. In other words, the expenses were that much greater than the receipts.

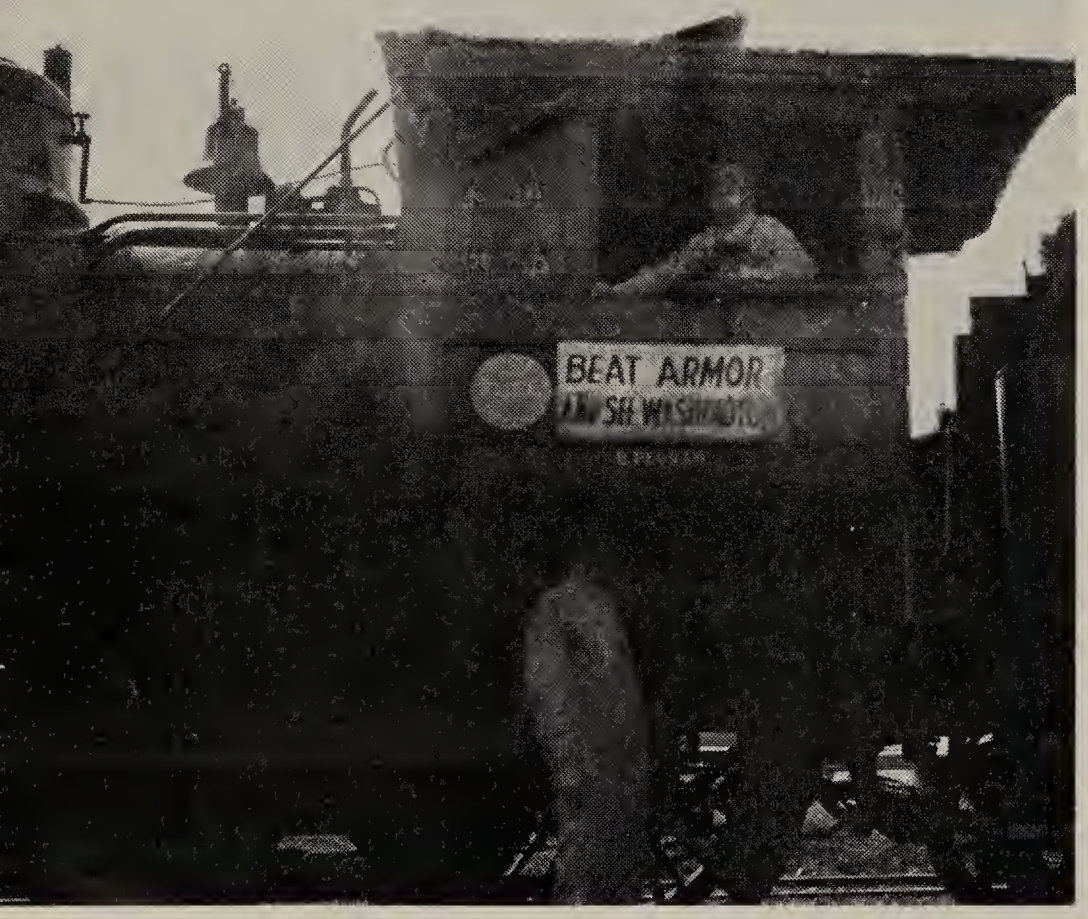
For this year, 1921, up to October 1st we lacked about $100,000 meeting all our expenses. This situation is, of course, an improvement over last year, but I have it in mind now to wipe out this loss of $100,000 entirely before December 31, 1921. A number of my associates think it hardly possible that we can do this. However, I think my knowledge of the personnel of our Traffic Department, of our agents, and, in fact, of all of our employes, together with the interest which our patrons feel in us, justifies me in believing we can obtain a sufficient amount of business to produce the result above mentioned.

To be successful, we must obtain from October 15th to December 31st, $1,000,000 in gross business. This means that our business must average $400,000 per month for the next two and one half months. Our business for August and September averaged about $320,000 for each month. You will see, therefore, that it is necessary to produce a substantial increase. It means that instead of handling an average of a little less than $11,000 per day, we must secure for the balance of the year a little more that $13,000 per day, including Sundays and holidays.

It means a great deal to the future welfare and development of this company if we succeed in this endeavor. I want everyone of us to realize this fact, and the undertaking therefore calls for the best







Top: Picnics fostered better employee-management relationships. *Left:* Contests awakened employee interest. *Bottom:* Participants in railroad sponsored poultry raising course at Mississippi A&M College.



By its extension into Jackson, Tennessee, the GM&N was enabled to bid for business from St. Louis or Chicago to Mobile over four routes: (1) the IC; (2) the L&N; (3) the NC&STL; and (4) the Frisco at New Albany. By the same token, the GM&N was in a position to "auction off" any tonnage which it might control to one of these same four roads.

The GM&N had little to hope for from many of its interchange points. Its main chance to survive, therefore, was aggressive salesmanship coupled with superior handling of shipments. The salesmanship was lacking in 1920, as well as the type of roadbed and equipment which would allow superior handling. One of the first orders of business on the part of the new management was to correct both of these defects as rapidly as possible.

CORPORATE STRUCTURE IN 1920

The corporate structure of the GM&N in 1920 was almost unbelievably simple as compared to the average railroad corporation. Bonded indebtedness was almost nil, the only bonds outstanding at the beginning of the year being $27,000 of an issue put out in 1898 by the predecessor's predecessor, the Mobile, Jackson and Kansas City. The stock in the company was split between $11,072,500 common and $11,494,400 preferred. Both kinds of shares had equal voting rights, which in the year 1920 was of little value to the individual owner of stock. In the 1915 reorganization plan whereby the GM&N succeeded to the property of the New Orleans, Mobile and Chicago Railroad, a voting trust was set up to control the affairs of the new company from January 1, 1917, to January 1, 1922.[18] The members of the reorganization committee had been made the trustees and became, in turn, the nucleus of the Board of Directors. This committee had chosen certain other men to serve with them, notably I. B. Tigrett, banker and part-time railroad president, to represent Jackson, Tennessee, and W. H. Coverdale, the eminent consulting engineer and specialist in railroad reorganizations. Because of this tight control, it was possible to achieve a closeness of contact between the Board and the management which was to serve admirably in making quick decisions as to corporate policy. It was almost as if this group of men owned the railroad personally. Whatever policies they felt were to the best interests of the future of the road could quickly be put into practice.

This ease of decision on the part of the Board was offset by the fact that, if personalities did not limit the actions of the Company,

financial matters did. Fortunately, there were no bonds on which to pay interest, for there was almost no money available for that or any other purpose. According to the corporate balance sheet for December 31, 1919, the company had about $152,000 in current assets and about $820,000 in current liabilities.[19] Mr. Tigrett's first task on assuming control was to secure funds from outside sources so that the road could continue current operations. The credit of the company was so bad that the two largest banks in Mobile refused any loans for any purpose, even on a short-term basis. Mr. Tigrett recalls the fact that what was then the smallest bank in Mobile, but is now the largest, did offer to lend between $50,000 and $100,000 dollars on rather stiff conditions. The loan was never completed because government funds on longer terms were made available before matters became acute enough to require recourse to this short-term bank credit. The management of the GM&N appreciated the offer, however, and in later years large funds have been kept on deposit in the bank partly in appreciation of this offer of assistance.

Needless to say, there were no funds available for capital expenditure in March, 1920, even though the management knew that, if the road was to survive, better equipment and a more serviceable roadbed were imperative.

The primary reason that the Mobile banks were unwilling in 1920 to lend money even for current operations was the fact that, in spite of wartime inflation of the economy, railroad expenses in general and GM&N expenses in particular were running well above receipts. As long as the U.S. Treasury was behind the Director General of Railroads, expenses were secondary and performance was the main objective. The private companies, however, were not so blessed with a seemingly inexhaustible treasury; and the GM&N was in more trouble than most other roads because it had never had a chance to build a surplus after it began operations in 1917. Thus, the railroad had to try to maintain service, increase expenditures for maintenance of way and equipment, and increase expenditure for traffic solicitation while expenses of current operations were higher than income from transportation service. This was true at a time when the road had almost no call to pay fixed charges. It was fortunate indeed that the reorganization, begun in 1915–16, had eliminated the road's bonds. Otherwise, a new bankruptcy certainly would have occurred at this time.

There is little doubt that a combination of three government

moves which were made early in 1920 to assist weak railroads allowed the company to continue its program of improvement. The first of these was the government guaranty for a six-month period of earnings of all railroads which elected to accept the guaranty.[20] The second act was the establishment of a loan fund from which railroads could borrow for operating purposes under certain conditions.[21] The last of these government moves was an offer of the War Department to sell certain railroad equipment which had been built for wartime delivery to Russia. Transfer had not been consummated prior to the Russian withdrawal from the war; therefore, the government had surplus stocks on hand, and the GM&N was able to obtain some of the equipment, which was sold on generous credit terms.[22]

One may assume that the physical plant which the GM&N owned would not have been dismantled immediately if these government measures had not been taken, but it is doubtful that the management which I. B. Tigrett headed would have survived 1920 if these aids had not been available.

MANAGEMENT PROBLEMS IN 1920

The outline of the problems faced by the administrative management of the GM&N in 1920 is visible in the preceding pages of this chapter. The purpose now is to select the most pressing and the most difficult of these problems and consider them somewhat more in detail. Without doubt, the number one problem in March, 1920, was to build a cash position which would maintain a permanent operating structure. Even if the Board of Directors and the stockholders were aware of the difficulties to be faced and foresaw a period of deficit operations to build the road into a permanent carrier, this particular road could not continue to function without a supply of operating capital. This may well have been the deciding factor in the "temporary" choice of Mr. Tigrett, a banker first and a railroad manager second, to be the President of the GM&N in 1920.

The second major problem had been faced and answered prior to 1920 by the Board of Directors, but any new management, of necessity, would have to determine its own answer to the question. The desire of the Board was to build up this road, constructed primarily as a log hauler, into a permanent diversified common carrier. The Board had made this choice when it built the 40 miles of road into Jackson, Tennessee, to escape the problem of a "dead-end street"

at Middleton. The Board had made this decision, however, on recommendations and observations of the management prior to World War I. For this reason, it still was a pertinent question to be asked by management after the end of the war and in the light of new competitive conditions.

Once the decision to continue the struggle to grow was reached, an entire host of related problems arose. The first of these was the matter of reducing operating expenses as rapidly as other conditions would allow. Aside from building morale for a growing organization, the separate problem of keeping a functioning force of employees was a deterrent to a very rapid decrease in the size of the payroll, largest single expense item. Wage increases, which had just been won from a sympathetic federal manager, could not be taken away precipitously without the inevitable reaction of strikes and possibly more serious consequences. For this reason, the matter of reducing wages had to be dealt with slowly. Furthermore, since most railroad expenses are tied in some way to the employees who operate the road, hasty slashing of other expense items could not be considered.

In addition to the problems offered by the need to decrease expenses below revenues, the GM&N faced the necessity of rapidly improving its roadbed and equipment so that it would meet the standards necessary for permanent operation. Not even during the lush years of 1943 and later could President Tigrett and his associates be accused of overdeveloping their roadbed or equipment; so this 1920 need for a better plant can be assumed to be the absolute minimum for safety and necessary performance. These requirements necessitated raising funds for increased maintenance, as well as for capital expenditure, both on track and on freight-hauling equipment.

The statement already has been made that maintaining an adequate working force was not to be confused with the larger task of building employee morale to a point where the road could sustain long term growth and increased operation. The matter of employee co-operation is always important in any business, but it is doubly so in the case of a small railroad which is trying to grow into a major carrier while operating through relatively poor territory.

Related to the problem of employee morale is that of employee ability. Any growth program which the GM&N might devise would suffer, if not collapse, unless the employees were able to execute such a program. Willingness to work should not be confused with ability to handle expanding problems. For this reason, the GM&N

management had to learn to evaluate its employees and to help train its key people for their increased responsibilities. Related to this was the problem of bringing in additional people from outside to be placed in new positions which old employees could not fill adequately.

Since freight traffic has long been and probably always will be the prime source of a railroad's revenues, the GM&N had a complicated task in attempting to grow. The bulk of its freight tonnage in 1920 was timber and lumber in one form or another. This, however, was a rapidly dwindling asset; as of 1920, the expectation was that, once cut, the timber was gone for 50 years at least. If the management of the GM&N was to fulfill its desire to increase its total tonnage, the road had not only to replace its vanishing forest products but to increase other freight traffic at the same time.

From the standpoint of management, the most likely way to bring about this increase of traffic was to create more favorable traffic connections to assist in this traffic growth. There is no doubt that great effort was made to help the entire territory increase its productivity and to build a more valuable economic and social life in the area served by the road. By far the strongest effort put forth by the GM&N, was to draw through traffic to its lines by the best possible arrangements of its traffic connections.

Along with its desire to increase traffic to the highest possible level, the GM&N was desirous of reducing its per ton cost of hauling this freight and its per passenger cost of travel to the lowest possible figure in the long run. This in reality called for a blending of road and equipment efficiency with employee efficiency, together with an increase in levels of traffic which would allow these savings to be made. The most highly skilled operating superintendent with the best rail plant that money can buy cannot set efficiency records when the tonnage is not adequate to utilize the existing plant at a level which will allow efficient operation.

Two other problems, which to some might be considered side issues, had to be faced by the 1920 management team. The first of these was the extent of damage suits, particularly in the state of Mississippi.[23] In the period from 1890 to 1930 there was a tremendous amount of feeling in Mississippi against "furriners" and against "corporations."[24] Part of this feeling probably came from the hatred of the carpetbaggers of the Reconstruction Period. Much of it, however, was quite similar in its origin to the feeling that resulted in the

Jesse James and other robberies of railroads of the Middle West in an earlier period. Robberies were rare in Mississippi, but the feeling of animosity led some of the people to try to profit financially at the expense of the corporations. In many sections of Mississippi, railroads were the only corporations known to the people; so these roads often received the full force of these manipulations. Damage suits against railroads were very common occurrences during this general period. There was considerably less physical violence in the Mississippi method, but the railroads probably suffered greater damage in the long run. The record does not show that the Board called on Mr. Tigrett to halt these practices on the GM&N; but soon after he was made President he personally assumed charge of a campaign to cause the road to be accepted more as a good citizen and less as a target for damage suits.

The last of the problems of management which will be discussed here is that of dividend payments on the stock of the company. Since there were no bonds to draw fixed charges, prior claim went to the preferred stock. Mr. Tigrett apparently felt that he should not and would not continue long in control of the affairs of the Company if regular dividends could not be paid to preferred stockholders at an early date. His later career has proved that Mr. Tigrett has constantly regarded as his first responsibility the proper functioning of the road as a service agency to the territory traversed. He has always kept sight of the corollary principle that, if possible, some return should be made to the investors who helped provide the facilities to render the service. Without doubt, the fact that his particular railroad had no bonded indebtedness and a relatively low capitalization at the beginning of his presidency had much to do with strengthening this feeling.

Before concluding this chapter on the GM&N of 1920, a brief look at the top executives is in order.[25] John A. Platten, Samuel S. Campbell, F. W. Scott, A. H. S. Post, and T. Nelson Strother were the trustees who were serving under the stock control plan drawn up according to the reorganization program of 1915–16. All of these men were on the Board of Directors of 1920, along with Charles K. Beekman, New York attorney, M. Hely-Hutchinson, also of New York, and W. H. Coverdale. In addition to this group, there were Joseph C. Rich, attorney of Mobile and General Solicitor of the GM&N and Mr. Tigrett.

The Executive Committee, which in large measure was the gov-

erning body, was composed of W. H. Coverdale, M. Hely-Hutchinson, J. W. Platten, A. H. S. Post, F. W. Scott, and I. B. Tigrett. Of this group, Mr. Coverdale was the best informed in railway operating matters, while Mr. Scott of Richmond, Virginia, was a close second, especially in financial matters.

Much has been said about Mr. Tigrett and much more will be said, because he has been the symbol of the management of the GM&N–GM&O for the past 33 years. He has never worked alone, but he has almost always been able to have just the right man available for every difficult task. In all those 33 years, he has been the rallying point of all persons who have contributed to the growth of this rail system. Undoubtedly, his greatest contribution has been his ability to lead and mold his assistants into top-flight performances as railroad men and citizens.

Mr. Tigrett celebrated his forty-first birthday in 1920. He had moved to Jackson, Tennessee, in 1903, had become cashier of one of the banks there, and had, in the intervening 17 years, become a highly respected young banker. During the two years 1909–11, he had served as acting President of his alma mater, Union University, which is located at Jackson. In 1912 he was elected President of the Birmingham and Northwestern Railroad, which was built with Jackson capital as a means of strengthening trade in the area between Jackson and Dyersburg. When the GM&N wanted to build into Jackson, Tennessee, it had sought for its Board of Directors a local man who had influence in the banking community, and I. B. Tigrett turned out to be the man selected. Because of its interest in the new railroad and its faith in "Ike" Tigrett, Jackson bought $100,000 in common stock of the GM&N after the extension from Middleton was completed.[26] In 1919, when it became apparent that the government was to return the railroad to private control, W. H. Coverdale, who had become well acquainted with the younger man, nominated Mr. Tigrett for the presidency. This was a compromise move, and Mr. Tigrett was chosen to run the road "till someone better qualified could be selected."[27] The choice may have been temporary to some, but Mr. Tigrett says that as far as he can remember no one ever challenged his leadership at a Board meeting. One thing at least is on the record: Mr. Coverdale never, as long as he was on the Board, opposed any major policy that Mr. Tigrett proposed for the road. Many men have made their influence felt on the GM&N over the years, but perhaps no others have had more to do with the

growth than these two. Mr. Coverdale had the strength of character and the professional standing to help convince the ruling New York financial circles that the GM&N had a fighting chance, and Mr. Tigrett in these early years worked early and late to prove that Mr. Coverdale's confidence was not misplaced.

Of the men who in 1920 were listed as officers of the Company, only a few have had a lasting influence on the growth of the GM&N. R. F. Brown, Secretary and Assistant Treasurer, was an employee of the New York banking house of Kuhn, Loeb and Company and was to rise to be an influential member of the Board of Directors and Vice-President of the railroad before the pressure of business affairs took him out of the life of the Gulf, Mobile and Ohio (GM&O) in 1943. H. G. Sparks, General Manager of the road in the latter part of 1920, apparently had the complete confidence of the new President and the Board. His untimely death in 1922 cut short his very promising career. G. M. White, Assistant Treasurer in 1920 and Treasurer at his death in 1945, was to have a longer span of service than most. His influence was also to be felt in later years through the activities of his son, Culver White, who was to become Vice-President for Financial Affairs for the GM&O at the time of the Alton merger. J. C. Rich, the Director and General Solicitor, was to conclude his long term of service with the Company at his death on March 8, 1927. Mr. Beekman was to remain as General Counsel for several years, but his direct influence on the operation of the road was slight.

Next to Mr. Tigrett, the one man above all the other officers of 1920 who has had more influence on the growth of the GM&N was the then Comptroller, F. M. Hicks, now President of the GM&O. Frank Hicks had early gone to work with Mr. Tigrett in railroad affairs. While he was still in his teens, he was made station agent at the village of Crockett Mills, Tennessee, on the Birmingham and Northwestern. He worked his way up through various posts on the Birmingham and Northwestern, and when Mr. Tigrett went on the Board of the GM&N, he saw to it that his young assistant was put to work on the larger road. Since that beginning he has moved ahead to the number two spot in the GM&O. He is the man who stays in Mobile much of the time to put into practice the policies of his friend and mentor, who has never moved away from his adopted home of Jackson, Tennessee.

CHAPTER · II

Employee Relations, 1920–30

None of the problems which the management of the Gulf, Mobile and Northern faced in the years 1920–30 was more important than that of relations with its employees. Improved service and better earnings could not be hoped for without the wholehearted interest and active help of at least a majority of the men and women who staffed the road. Partly because of the importance of the problem, partly because he did not know too much about the technical side of railroad operations, but primarily because he liked to work with people, Mr. Tigrett threw himself into the forefront of the job of employee relations. In the crucial years from 1920 to 1922, the new President became well known to almost all of the employees of the little GM&N.

WAGE POLICY AND RELATIONS WITH UNIONS

H. G. Sparks, who was made General Manager in the fall of 1921, was always on hand to give support, but the President himself did much of the negotiating with the various union groups in the days of readjustment which followed the return of the road to private hands. Early in 1920 the labor policy for the GM&N was set. The road decided to abide conscientiously by the decisions of the new U.S. Railroad Labor Board while at the same time trying to get all the intelligent effort possible out of its employees.[1] Soon after the July 20, 1920, announcement of the Labor Board that the railroads should grant a 22 per cent increase in wages, a few railroads angrily announced their intention of noncompliance. Mr. Tigrett, however, held group meetings all over GM&N territory and stated that the GM&N would follow the dictates of the Labor Board, in spite of the added burden of increased wages. While agreeing to abide by this

ruling of the Board which raised wages, the management of the GM&N also announced that as and when the Board called for a reduction in wages such a ruling would be followed by the road.

The problem of wages was of special importance in the first part of 1921. The postwar business decline brought rail income down sharply, and this, coupled with the 22 per cent wage increase granted in 1920, caused a large majority of the railroads to show operating deficits for 1920. As a result, in the spring of 1921, most of the railroads of the country had banded together and had filed a request for a reduction in wages. The GM&N decided not to be a party to the general hearings but to file a petition separate from that of the other southeastern railroads.[2] The management felt justified in asking for special consideration and also wanted to see the outcome of the bigger case before pressing its own request.

At the same time that the Company was readying its case for the Railroad Labor Board, it was rapidly reaching operating agreements with all its labor groups except the shopmen.[3] Each of these contracts called for the Company and the brotherhood to abide by any wage decision handed down by the Railroad Labor Board. Willingness of the labor groups to sign these agreements is testimony enough of the respect the men had for the new management. They knew that the Company was asking the Railroad Labor Board to cut wages. In general, however, the employees of the GM&N were willing to co-operate with a management which seemed to possess a basic aim of fair dealing with employees and the public.

The Railroad Labor Board did order a 12 per cent reduction in wages paid by the GM&N and other roads.[4] The employees of the Company, true to their contracts, accepted it with as good grace as any group can face a loss in pay. Mr. Tigrett's comment on this acceptance of the cut by the men is quoted at length because it gives much of his philosophy of labor relations. This statement is as follows:

> Since that time, the Labor Board has ordered a reduction of approximately twelve per cent (12%) which has been put in effect by this Company and has been recognized and accepted by our men without complaint insofar as I know.
>
> They did not complain because they realized, I think, that some step of this kind was necessary in order to keep our Road in operation. They also realized, I think, the justice of it when they remembered that the owners of this property have never received one cent in return for their investment, the public and the employees having been the only beneficiaries.

They also realize, I think, that the failure of this Railroad to make money was not due to any large salaries being paid to officers, and that while the Road was paying its other employees the same wages that were paid by roads like the New York Central and the Illinois Central, it was paying its officers perhaps lower wages than any road of its size in the country.

I think I may also claim for our men that they recognize the injustice of their continuing to receive such high wages while their fellow men in other lines are receiving a scale so much lower, and while, also, so many of their fellow employees have been laid off because the Railroad, having only a limited amount of money, could employ at the high wages only a limited number of men.

They were also bound to recognize the fact that the increased wages granted to the men in May, 1920, was through a decision of this same Government Agency, the United States Railroad Labor Board, and that they could not, in good faith, insist on the railroads accepting the decision of the Labor Board when an increase of 22 per cent was given, and later decline to accept the decision of the Labor Board when a decrease of 12 per cent was ordered.[5]

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A reduction of wage rates in this period without the approval of the Labor Board would have provoked an immediate strike in protest, but layoffs apparently had less effect, presumably because the men thus laid off were only part of a union group. Wages of skilled workmen in shops not owned by the railroads were considerably lower than those of railway shopmen. Because of this, car repairs could be done on a contract basis at considerable savings by these outside shops. As a result, the cash-conscious GM&N decided to turn to outside sources for help in rebuilding some of its many bad order freight cars.[6]

When the Brotherhood of Railroad Carmen of America, Local No. 649 of Mobile, complained about this program, the management replied frankly and candidly. The plans were admitted, and the railroad's position was explained in detail.

The reasons were simple and understandable even though the shopmen were not satisfied with the position management took on this matter. The answer, however, did not anger them further. Neither did it give other groups of employees a reason to side with the shop employees in the controversy.

The policy of doing car repair work in outside shops spread throughout the country and the shop craft unions became more and more angry. Finally when the Railroad Labor Board announced an order which called for an additional wage reduction the whole group

went out on strike on July 1, 1922, and the GM&N was not excepted. The men stated that they were on strike not against the GM&N, but against a decision of the U.S. Railroad Labor Board which they did not like.[7] The management promptly began to do everything possible to keep the GM&N operating in spite of the strike by the shop workers, and in this largely succeeded. The strikers were told that they faced loss of seniority rights and that new employees hired to fill the places of strikers would be given prior status. This was in keeping with the decision of the Labor Board and was the policy followed by all the roads whose employees were on strike.[8] The GM&N, however, made a definite effort to hold open a large number of jobs so that it could re-employ as many of the strikers as possible.

There was a certain amount of early sympathy for the strikers among the general public, but the waves of violence which broke out over much of the country soon dissipated that feeling, and before long it was evident that the strike was a losing struggle.[9] On the GM&N none of the other labor groups went out in sympathy, and soon the road was operating almost at capacity even though the strike was officially still on.[10] Some mob violence occurred in Laurel, Mississippi, but other than that, only isolated instances of trouble arose.[11]

In September Mr. Tigrett received a letter from one of the union officials representing the striking men on the GM&N. The union wanted to hold a conference with the Company to consider a settlement of the strike on the GM&N on the basis of rehiring all striking employees. Mr. Tigrett's reply, which is reproduced in Figure 2, was a firm refusal, but it was conciliatory in tone. Although the road was not willing to "trade" on the union's terms, a definite effort was made to prevent further bitterness and violence on the line.

The shopmen's strike was so nearly over on October 25, 1922, that the road was willing and able to sign a working agreement with the working shop employees on duty at that time.[12] This provided working conditions and wage terms similar to those in agreements previously signed by the other unions on the railroad.

Perhaps one of the smartest moves by management in this period was a voluntary raise given to the employees of the Maintenance of Way Department. The *GM&N News* of November 10, 1922, carried the following announcement:

> Effective November 1, Maintenance of Way employees, who have been receiving 20¢ per hour, will be increased to 22½¢. Those who have been receiving 23¢ per hour, will be increased to 25¢.

This action is taken without any request on the part of the employees and is in recognition both of their efficient and loyal service, and also in recognition of the present living conditions.

I. B. TIGRETT
President

This was a 12 per cent increase given to the lowest-paid group of employees, while the craft groups, among the highest paid, were still out on their nationwide strike which was rapidly becoming unpopular. In some companies such a move during a strike might have backfired and made more employees resentful of management's tactics. On the GM&N in 1922, however, it had its desired effect of showing the willingness of management to pay better wages for work well done and of showing appreciation for loyal service during the strike.

One should not forget that this strike was not against the roads so much as against the U.S. Railroad Labor Board. Because of this,

Mr. TIGRETT'S REPLY TO THE UNION
GM&N News, September 22, 1922

DEAR MR. DEVAUGHN:

I have just received your letter of September 19th, which came during my absence. I note that you ask for a conference to consider the so-called "Chicago Agreement" in connection with the settlement of the strike on the Gulf, Mobile and Northern.

In reply I beg to advise that I shall be very glad to see you or your committee at your convenience. I think I should say to you, however, very frankly that the policy which I have heretofore outlined both to our former employees and to the public, as well as the obligations which I have assumed to the new men that we have employed will prevent this Company entering into any negotiations with those men as a body who went out on strike on July 1st, 1922.

I have previously stated that we are quite willing to consider the applications of any individual who may care to take employment with us, and the fact that the applicant went on strike on July 1st, 1922, will not prevent his application receiving full and fair consideration. This, of course, has reference only to such jobs as we may have open at the time any application may be received.

FIGURE 2

the Board had authorized the roads to hire new men and thus break the strike. For this reason, one should not surmise that under different conditions the GM&N would seek to break a strike by employing "scabs." The company has made many requests of its unions to get more acceptable terms, but it has never tried to "break" a union to which its men belonged.

In reality, the GM&N did not employ many new men during the strike, for many of the old shopmen stayed on the job. The work force was also kept small during the period so as not further to aggravate the situation.

The consideration shown by management during this difficult period was rewarded when the strike was called off on April 10, 1923. Mr. Tigrett received the following telegram signed by E. W. Sherman for the Federated Shop Crafts: "I wish to inform you that the strike on the Gulf, Mobile and Northern has this day been called off, and I am so informing the Railway Employees Department of the American Federation of Labor. Permit me to again thank you for the courtesy shown me during the time of this controversy, and I wish for you and your company every success in the future."[13]

The GM&N had no more serious labor trouble in the decade prior to 1930. Disputes arose, of course, but they were always settled on the road, and no grievances were taken to the national boards for adjustment.

In 1926, when the GM&N began to operate its trains into Paducah, Kentucky, the labor union situation changed as well as the wage policy of the road.[14] By that time, the GM&N was prosperous enough to pay the national wage scales, which it proceeded to do. Also, certain of the operating rules which had been local in character were standardized with national practices. The GM&N found that it was no longer a small sectional road to which no one paid much attention. After 1926 the national railway labor executives took more interest in the line and required conformance to national standards. Fortunately, the road had become strong enough to be able to live with such conditions; no trouble ensued at the time of the change or later.

EMPLOYEE MORALE

The GM&N's firm but considerate treatment of its unions was only one part of a much broader program. The Company desired to live on friendly terms with its workers, but it also wanted, and in fact

had to have, a superior kind of employee loyalty and co-operation if the road was to grow. Fortunately for the management, the GM&N's labor force was made up of a highly stable group. Most of the employees of the road were native-born whites, a majority of whom had lived all their lives in the territory of the road. Thus they knew that the management was not trying to deceive them when statements were issued which said that the road was in bad shape. Many of these employees had worked for the predecessor companies from the time the road opened. Some of these employees had worked previously for various lumber concerns and had been laid off when these mills ceased operations. They knew at first hand that the timber was being cut out, thus potentially depriving them of their jobs.

Perhaps the most loyal group of all the employees were the Negroes who were fortunate enough to work for the road. World War I had brought some changes, it is true, but in rural agricultural Mississippi in 1920, a Negro considered himself to be "in luck" when he had a steady job with a railroad. Such a job generally assured better working conditions than most other Negroes had, together with a fairly steady flow of cash income. The railroads, knowing this, had generally been careful to employ only those Negroes who had shown exceptional qualities of loyalty and willingness to work.

The Negro employees of the Transportation Department of the GM&N had a special reason to be loyal to the Company. In the early months of 1921, as the postwar depression deepened and layoffs became unavoidable, some of the white employees decided that the jobs held by Negroes should be made available to the nonworking white men. As a result, demands were made on the company to discharge all Negro employees in the transportation department. Mr. Tigrett later told the story in these words:

> It is true that in 1921, during the depression, the representative of the four Train Service Brotherhoods notified the Management on Saturday that, regardless of their contracts, the members of their organizations would walk out on the following Monday unless the Management agreed to discharge all Negroes in the Transportation Department. It is true that they were asking us to violate our contract by so doing. It is equally true that they did not carry out their threat, but for months afterward Negro employees were cowed, and beaten, and shot at, and one or two were killed. This is the darkest stain in our labor history, but one which time and a higher class of citizenship have almost eliminated.[15]

Although the road in 1921 could ill afford to run the risk of a strike by all its transportation employees, the full weight of the Com-

pany was put behind the effort to prevent molestation of its Negro employees. In an attempt to win the more moderate white employee to the support of the Negroes and the Company, an agreement was made to cease employing any new Negro workmen during the period. The *GM&N News,* after it was started, carried editorials and stories which appealed to the employees to stop acts of violence. One of the best of these is quoted as follows:

> It is quite probable that every man and woman connected with the Gulf, Mobile and Northern is more or less familiar with the lawless and cowardly acts which have taken place on our line during the past year.
>
> For the most part, this lawlessness has consisted of either the murder or the attempt to murder defenseless negroes who were engaged in their regular work, the negroes, of course, being in the open, while, as is the usual case with the assassin, the latter stayed under the cover of darkness, or otherwise hid.
>
> The vital question which every honorable engineer, conductor, fireman or brakeman is concerned with today is whether or not these law breakers and murderers will be allowed to pursue their way unpunished.[16]

Fortunately for all parties, the postwar depression was short lived and the tenseness of the situation passed as most of the furloughed employees were returned to their jobs. Many of the Negroes who were employees in those difficult years are still with the Gulf, Mobile and Ohio today and the position of the Company has remained unchanged in its determination to support all its employees in their right to work. As a result of this policy and similar decisions at later periods the GM&O has been able to remain outside the legal entanglements of court cases which have recently arisen involving the rights of its Negro employees.

In spite of the problems created by racial animosity and competition for jobs, these two groups of employees generally worked well together, and both groups in general were well above the national average in loyalty and devotion. They had not had the training, however, to operate a first-class railroad; neither had they felt, for a long time at least, that they were working for a successful road. Long and difficult receiverships are not conducive to confidence in any business venture. Furthermore, the poor condition of the track and rolling stock worked against the employees' taking pride in their work and company.

Management's task was to develop a will to win among its employees and to give them confidence that, by harder effort, the road

could really become something of which all employees could be proud.

By the end of the first six months' operations in 1921, physical conditions on the GM&N had definitely improved. New rolling stock was on hand, with more on the way. The track had been built to a position of relative stability. The 12 per cent reduction in wage rates was to take effect on July 1, as ordered by the Railroad Labor Board; yet productivity per worker was increasing. The time had come to attack further along the line of employee morale and co-operation.

Management had established the policy in 1920 of full and frank discussion of employee problems in group meetings. This plan of group contact with the employees was continued when the occasion arose, but other means of communication were felt to be necessary to speed up the growth of loyalty and interest in the road. The first issue of the *GM&N News* came out on November 4, 1921. J. B. Haman was the editor who began the publication on a trial basis. "Jake," as he soon became known, was an instant success and a tremendous force for growth until his death in an automobile accident in 1925.

The *News* started out as a working house organ. In his first issue, Haman announced that it was being published "by the road, for the benefit of the road." He also said that its purpose "chiefly is to draw us all closer together, to make us feel that we are all of one big family, to get us better acquainted with each other. As Mr. Tigrett said, in speaking of what he wanted the *News* to do, 'We are looking toward better service, increased revenue, and more economic operation. Surely we all are interested in those three things and will co-operate with the management in bringing them about, for without them the road cannot prosper, cannot meet its expenses, and you and I, the employees of the road, must suffer.' "[17]

The lead article in this first issue of the *News* was a letter of commendation from J. W. Platten, Chairman of the Board of Directors, following his annual inspection trip. He especially commented on the improvements made on the line by the employees. The "pat on the back" was flanked, however, by a request for all employees to get behind a campaign for additional business so the road could earn its expenses in 1921. At the end of September it appeared that the road's railway operating revenue would not cover its expenses by about $100,000. A special solicitation campaign was started to get an additional $1,000,000 in gross business in the last months of 1921. It

was this campaign which the *News* was pushing in its November 4 issue.

In the December 16, 1921, issue of the *News*, Mr. Tigrett prepared to admit failure in the campaign to get a million dollars in new business. The employees were advised that the management did not expect the impossible and would not blame employees for conditions beyond their control. The general decline in business conditions

NEW YEAR'S MESSAGE
GM&N News, December 30, 1921

To those valued men and women who, during the past year, have given their energy and ability to this Railroad—theirs and ours—I send most appreciative greetings.

There are many problems which will confront us in the New Year—problems pertaining to our relations with each other, relating to our shippers, and relating to our Government. In settling all of these problems, the mind and voice of each of us can be a helpful factor.

There is, I think, a passage in the Scriptures which urges both employer and employees to be just and equitable to each other. I strongly cherish the hope that every officer and every employee will join in a fixed determination that this teaching shall be adhered to on the Gulf, Mobile and Northern.

I cherish the further hope that officers and employees will join with each other in a determination to pitch our standard of living on a higher plane so that we may be not only more useful to each other, but more useful also in the development of the communities in which we live, and more helpful to the fellow man with whom we come in contact.

I. B. Tigrett, *President*

Figure 3

throughout the country was given as the reason the Company could not expect to achieve its goal.

By the end of 1921 few if any of the GM&N's employees doubted the interest, loyalty and sincerity of the man in charge of the road's operations. Mr. Tigrett's "New Year's Message," which was printed in the *News* just before the end of the year, should have helped convince any who still doubted. It is quoted in full in Figure 3.

In an effort to improve the morale of employees and to get all of them interested in the problems of the road, the *News* announced

a monthly contest in letter writing with prizes for the best ones submitted. First topic was to be, "What is the most important problem facing the Gulf, Mobile and Northern Railroad, and how I would solve that problem."[18]

Mrs. H. B. Wiseman was, until November 1, 1922, Home Demonstration Agent for Union County, Mississippi. Effective this date, however, she became an employee of the GM&N to work with the wives and children of employees of the GM&N in an effort to improve their home life and living standards. The Mississippi State Extension Department was brought into the plan so that clubs of employee wives and daughters could compete in the state-wide contests sponsored by the department.

At an impromptu meeting of employees held in New Albany, Mississippi, in the first part of December, 1922, Mr. Tigrett announced that the year just closing would be the best in the history of the GM&N.[19] He said that the Company had made money, but none would be paid out for dividends. All available funds were being spent on improvements of plant or equipment, in keeping with the Company's policy of developing from earnings whenever possible.

Mr. Tigrett shared his "New Year's Greetings Message" with his two top assistants in 1923. P. E. Odell, new General Manager, who was hired after the sudden death of Vice-President Sparks, and F. M. Hicks, Traffic Manager, joined in thanks to the employees and a request for added efforts in the year ahead.

Illustrative of the growing feeling of comradeship among the employees was the first annual ball given in Mobile by the general office employees on December 30, 1922.[20] Mobile had been the site of the general office of the road for approximately 25 years, but prior to this time employees had not felt close enough to have a group party of this type.

The *News* of September 21, 1923, carried a story of the intention of the GM&N Home Economics Club to hold its fair at Laurel in conjunction with the South Mississippi Fair. Four hundred dollars in prizes were to be awarded, and competition was expected to be keen. Mrs. Wiseman was to be in charge. Apparently this phase of employee relations was prospering.

Following an inspection trip of the road in October, 1923, Mr. Tigrett issued the following statement which is self-explanatory:

To the Men and Women Who Are Operating
the Gulf, Mobile and Northern R.R.

I have just finished an inspection trip covering all the property of our line which we are now operating.

While we are far from perfection; while we have much work to do immediately; and while we have many problems in the future, still it gives me a lot of pleasure and satisfaction to be able to say that I feel sure our physical condition and our organization is better today than at any time in the history of the railroad. I am delighted with the results which we are now getting, and with the prospect of continued improvement.

Every now and then, I have felt that I would have to give up my railroad work. However, when I think of the associations with you which I have formed in working out the difficulties which have beset us; and when I think of the generous co-operation and constant loyalty which you have given me, I confess that I always weaken in the thought of severing these connections.[21]

On August 2, 1924, the employees in the Operating and Traffic Departments decided to have a company-wide picnic. It was held at Louisville, Mississippi, and reflected much the same spirit as the Mobile General Office ball.[22] Everyone not urgently needed to operate trains that day showed up and enjoyed the baseball games, swimming, and dancing, to say nothing of the food provided by the GM&N Ladies' Home Demonstration Club of Louisville. In rural Mississippi in 1924, nothing could have been more indicative of high morale than outings and parties such as these, where all employees took part as if they truly "belonged."

Statements in house organs which speak of high morale sometimes have to be discounted. It may be true that in some instances Jake Haman was overly enthusiastic, but the following statement certainly has the ring of truth to one who has read much about the history of the GM&N. In September, 1924, Mr. Platten made another tour of the line, and Haman phrased the sentiments of the Board Chairman thus: "In addition to the physical changes in the property, there has been a decided change in the attitude of the personnel. Three years ago, a spirit of dogged determination only was manifested, while this year this spirit had been supplanted by one of enthusiastic belief in the property."[23]

The Board of Directors in November, 1924, gave a share of preferred stock to "Uncle Billy" Crawford, oldest white employee in length of service connected with the GM&N. One clause from "Uncle Billy's" letter of thanks seems worthy of reproduction here:

"While it is true that I have spent most of my life in the service of this Company and have made some sacrifice, the kindness of the present management has more than amply repaid me for any hardships that I might have endured."[24]

At the close of 1924 Mr. Odell joined with Mr. Tigrett in sending

CHRISTMAS GREETINGS
GM&N News, December 19, 1924

When one thinks of a railroad, it is track, engines, cars, etc., that one usually has in mind, and yet all of this enormously expensive physical equipment and machinery is inert and valueless except as it is energized and made to do useful work by the employee.

The success of any railroad, as well as the happiness and well-being of those in its service, depend solely on the interest and loyalty of those actively engaged in the operation of the property, in all its details.

Not only must the physical and mechanical features be kept in good condition and worked efficiently, but of equal importance is the maintenance of proper relations between the railroad and the public, and in this no employee is too obscure to exert a beneficial influence.

It seems not an exaggeration to assume that the unusual success of the Gulf, Mobile and Northern for the past few years has been due to just this enthusiastic and loyal effort.

On the approach of the holidays it affords me great pleasure to extend to you a sincere wish for a Merry Christmas and Happy New Year, and my heartfelt thanks for the splendid co-operation that has brought about these results.

In thanking you all for this fine teamwork, I cannot refrain from indulging the pleasing thought that continuance of same is assured.

P. E. Odell

Figure 4

Christmas greetings to the employees. His statement, which is aimed primarily at the operating employee, was a strong challenge to continue the good work throughout 1925. The message is quoted in Figure 4.

The good work did continue. Looking back now, it is easy to see that by Christmas of 1924 the employees of the GM&N had been molded into a near-perfect team. In the less than five years since March, 1920, the management had in large measure achieved one

major objective. Most GM&N employees were interested in the road as well as their job, and they were proud to be associated with the Company. Mr. Odell, speaking of the winners of a fuel conservation campaign said: "It is certainly a great pleasure to be associated with men who are so thoroughly interested in their work, and who take such fine and active interest in the welfare of their Company."[25] The *esprit de corps* of GM&N personnel in 1925 would have measured very high.

One of the big reasons for this fact was that accomplishments were truly good. The *News* in May, 1925, carried the following:

SOMETHING TO BE PROUD OF

During the month of April the following new records were established on the Gulf, Mobile and Northern:

> Best fuel performance in the history of the Road;
> Fifty per cent reduction in accidents;
> No main line derailments;
> Only one engine failure;
> Exceptionally good "on time" performance;
> Increased the northbound average train load from 1303 tons to 1367 tons.[26]

Affairs of the employees and those of the road went so smoothly in 1925 that Mr. Tigrett felt he should guard against overconfidence, which might cause harm in the future. The road was not so strong that it could stand severe trials, nor were the employees fully protected against business reverses. In his "Thanksgiving Message" for 1925, which is quoted in Figure 5, Mr. Tigrett tried to warn against future troubles and to counsel his employees to develop a frugal spirit. His bank-developed sense of caution was much in evidence in this message.

One of those physical benefits which bigger or stronger companies had long provided was started for the GM&N just before Christmas of the year 1925. Group life and accident insurance was instituted on a joint company and employee contribution basis.[27] A large group of the employees signed up immediately for the protection offered by the plan. Each protected employee was to pay 85 cents per month, with the Company paying the balance of the costs. At the time, it probably would have been hard to determine who was more thankful, the employees or Mr. Tigrett, that the Company could make this move so soon after being practically bankrupt in 1920.

"Nineteen twenty-six was a good year." Those were the words of President Tigrett when he looked back over the twelve-month period. It was indeed a good year for the GM&N and for its loyal employees. Mr. Tigrett's statement was public recognition for the work and effort put forth since March, 1920. It was the proof that

THANKSGIVING MESSAGE
GM&N News, November 13, 1925

With the advent of another Thanksgiving Day, I believe each one of us will be willing to pause for a moment to give thanks for the happy year which the Gulf, Mobile and Northern family has spent, knit still closer together in ties of friendship and loyalty.

We have, I believe, obtained a still better understanding of the viewpoint of each other, and unless I misinterpret our situation, each year is increasing our faith in the purposes and integrity of each other.

May I not express the further hope that each one of our employees is putting aside something for a rainy day. The past economic history of our Country makes it almost certain that there must sooner or later come business setbacks and depressions. It would be a very comforting thing to the management to know that every one of our employees had a little savings laid by against these periods.

The employment of a trained nurse and the appointment of a Home Economics Instructor were actuated by the thought that they might help to make the family expenses a little less.

The President joins most heartily in the general thanksgiving, and at the same time acknowledges his reliance upon that Divinity who has overshadowed our efforts and protected our lives.

I. B. Tigrett, *President*

Figure 5

good morale, plus good leadership, plus some outside assistance, could produce outstanding results even in a shaky, fumbling company like the GM&N of 1920.

During 1926 the GM&N began operating its own trains to Paducah, Kentucky, where it made direct connection with the Chicago, Burlington and Quincy (Burlington) for Chicago. The Company also obtained permission to buy the Jackson and Eastern with the privilege of extending to Jackson, Mississippi, there connecting with the New Orleans Great Northern for New Orleans.[28]

This meant, in effect, that the GM&N became a junior partner

with the Burlington in a Chicago-to-the-Gulf haul, rather than a road seeking favors from more strategically located neighbors. From a traffic standpoint, this move put the GM&N into major freight-hauling circles. The operating employees must have been just as proud of this accomplishment as the traffic men, for they continued to break operating quotas or objectives almost as fast as they were established.

Mr. Tigrett was not boasting when he made his statement about 1926. His entire statement to the employees is included herewith.

IN RETROSPECT

Nineteen twenty-six was a good year.

It was filled with many accomplishments for the Gulf, Mobile and Northern Railroad. Closer relationships between us all were formed, which had much to do with the operating results that were obtained.

Financially, we have reached a position where we do not have to fear the sheriff or dodge our creditors. That does not have to mean, however, that we have attained the rank of wealth. We are very far from that; in fact, we have never yet been able to pay the dividends which were due several years ago on our preferred stock.

The only cloud that looms before us today is the inclination on the part of a few state and county officials and a few juries to penalize us through lawsuits of various character, chiefly, it seems, because we have made some progress.

However, regardless of these obstacles—and possibly discouragements—we have no option but to carry on. We have an obligation to the people we serve to furnish them with first class transportation.

We employees will meet this obligation.[29]

The GM&N found 1927 not as profitable as 1926. Neither was it a year in which employee relations occupied the "front page" of the *GM&N News*. It may have been partly because Jake Haman was gone from the scene, but some of the old spirit seemed gone, too. This is not to imply that the supervisors of the Company changed their policies. Probably it is the natural result of seven years of constant effort. Striving toward good employee relations had by now become second nature and was no longer front-page news. Mr. Tigrett's "Christmas Message" for 1927 seemed to say that it wasn't the fault of the employees that 1927 was less prosperous than 1926. He asked only that care be taken to see that 1928 was not worse than 1927.

By 1928 many of the employees must have realized that the bonds which had tied them together in earlier years were no longer so

tight. There was still great loyalty for the road and especially for the official family, but the individual spirit of kinship for the group was gone. In the November 10, 1928, issue of the *News*, Editor Robert Hall put this feeling into print and accepted some of the blame for this state of affairs. His comments, which are reproduced in Figure 6, did not seem to indicate, however, that the situation was permanent. He apparently did not realize that the former closeness of feeling would not be likely to return.

Probably many of the employees who read what "Bob" Hall had to say agreed with him wholeheartedly, but nothing could restore things as they had been. The growth of the Company, as well as the growth and urbanization of the railroad's territory, were all working to split the "family" into sub-families, each with its own smaller area of concentration.

One should not assume that the road was suffering greatly because of this changing atmosphere. In some respects the road actually benefited from this development of new interests. Many of those who had been in the "family," however, could not help the feeling of loneliness and longing which came to them in later years for the close comradeship of 1920–26.

The decade moved rapidly toward its close. In 1929 the GM&N suffered with the rest of the country when business collapsed. The year 1930 brought unemployment to people in the GM&N group. By December this had become such a problem that the Company instituted a voluntary contribution program to aid its unemployed.[30] It was hoped that by this effort all GM&N employees who had been laid off would escape privation and suffering, especially during the Christmas season.

Mr. Tigrett's "Christmas Message" for 1930 was a thoughtful expression of his ideas on comradeship. As such, it is a fitting end to this discussion of employee relations for these formative years, 1920–30. This was his message:

> Mr. J. B. Murphy, Superintendent of Telegraph of the Mobile and Ohio Railroad, and one of the finest characters in the world, wrote me a little note this week which contained the following quotation which he had taken from *Patchwork:*
>
> "Stand off by yourself in your dreaming,
> And all of your dreams are vain;
> No grandeur of soul or spirit
> Can man by himself attain.

APPEAL TO EMPLOYEES
GM&N News, November 10, 1928

As a railroad we have expanded tremendously since the first issue of the *News* appeared, and many new names have been added to the roster of the railroad family. We have also become more sophisticated, more cosmopolitan, and many of us have developed a wide range of interest outside the railroad. We cannot say that this is bad. We must merely accept it as one of the inevitable consequences of the rapid progress we have made as a railroad.

We realize that as a smaller railroad faced with almost insurmountable obstacles, we were drawn closer together by the bond of a common interest in a common conflict. We were, to put it simply, fighting together for a common cause and were therefore closer together. Since we have expanded and since there has come into the original organization new members not wholly familiar with the tradition of work-and-fight which characterized our family spirit in the mud days, this feeling of common interests is not as strong as it was seven years ago. This, then, is a plea for a return to that spirit. Let us assimilate the newer members. Let us teach them the traditions of our family and try to keep alive forever that proud, glowing family spirit of one-ness. We are the Gulf, Mobile and Northern. We are those who have built from the mud and chaos a transportation system. We are the fighters. We are the builders. Let us continue to fight and to build—together!

That is the message which the *Gulf, Mobile and Northern News* seeks to give you on its birthday. This little paper seven years ago was entrusted with the guardianship of the family spirit and if there has been a lessening of the common bond, we cannot refuse to accept a share of the blame. It is therefore in conscience-striken mood that we invoke all our powers of eloquence for this plea.

This is written at no official behest, and no one of our officials will have seen this until it appears in print. It is the voice, therefore, of one employee to another, of one official to another. The impress of Lincoln's Gettysburg address is still strong upon us when we speak in this view, and it is in his memorable phrase that we ask "to re-dedicate ourselves" to the principles of loyalty, unity, and family spirit. We are the fighters. We are the builders who from the mud and chaos have built transportation. We are the Gulf, Mobile and Northern.

ROBERT HALL, *Editor*

FIGURE 6

It is willed we shall dwell as brothers,
As brothers then we must toil."

I believe this spirit has been in the hearts and minds of the Gulf, Mobile and Northern folk during these years when we have enjoyed reasonable prosperity. It is this same pride which will make us share each other's burden; which will tide us through the present period of adversity, and which will make us all the more worthwhile because of the experience.

To the Gulf, Mobile and Northern family I am sending Christmas greetings which are filled with cheer and courage, both of which I get from your loyal and undaunted spirit.[31]

EMPLOYEE DEVELOPMENT

One might think that a company which had good employee morale would also have employee co-operation in efforts toward growth. The management of the GM&N did not always find this to be the case. The employees showed a willing spirit, but they had to be taught how to assist the road in its development.

First efforts directed to improvement and growth were aimed toward a reduction in operating expenses. Each of the sections of the Operating Department began campaigns to save on operating costs in every possible way. Trackmen were urged to use less time to achieve better results. Shopmen were encouraged to try newer methods of maintenance. Engine crews began to hold fuel conservation contests to reduce coal usage. Office workers were asked to use less paper, or rather, to have less waste of necessary forms and reports. Train crews were encouraged to reduce the charges the GM&N had to pay for use of foreign freight cars. Higher train speeds and faster turn-arounds were sought to reduce this car rental charge. No conceivable item was too insignificant to be mentioned in the "reduce expenses" campaigns which started on the GM&N between 1920 and 1924.[32]

Along with these drives for economy, the Company began to ask for new business. The Traffic Department employees were not the only ones urged to solicit freight business for the GM&N. Every employee soon discovered that he was expected to make what effort he could to secure additional business. If more carloads could not be obtained, the employee was asked to solicit his friends to allow the GM&N a longer haul on current tonnage. If the haul was as long as the GM&N could hope to obtain, the next step was to secure control of the routing of carloads of freight, so they could be

"swapped off" to connecting roads. In this way, the GM&N might be in a position to bargain for additional tonnage from its connecting roads.[33]

The GM&N solicitation program, along with its morale-building campaign, really began to produce results soon after the first issue of the *News* in November, 1921. That issue and those to follow were devoted to employee co-operation, not employee gratification. Alongside Mr. Tigrett's message about the anticipated shopmen's strike and Mr. Platten's inspection report were two traffic articles. One discussed the poor showing of passenger earnings and asked the employees what they could do about improving this record. The other article was the call by the Traffic Department for the road to obtain $1,000,000 in gross business between October 15 and December 31, 1921. All other stories in this issue of the *News* were either personal stories or stories tied in with some of the "reduced expenses" campaigns. Clearly, too much was expected of GM&N employees for the *News* to devote much attention to pleasantries.

A four-page Company newspaper with no pictures whatever, filled with stories about improving performance, would have little appeal today. In most instances, such a paper would be called a useless expense and a waste of the editor's time. In 1921 it apparently was well received, however, and the GM&N employees kept asking for more. Their desire to do something to help the Company made the *News* interesting reading to them even without glossy paper and pictures. Most of its stories were a mixture of appreciation for an outstanding bit of work and an appeal for other employees to go out and do better. A good example of this type of article is shown in Figure 7.

The Company did not quite reach its goal of $1,000,000 in new business for the latter part of 1921, but the management gave the employees credit for making a fine effort to achieve the objective. By more effective work in expense control, the road nevertheless ended the year with a small net income instead of a deficit, which was duly acknowledged as being in large measure the result of employee co-operation.[34]

The twin drives for reduction of expenses and increased traffic continued almost without a pause. No item was too small to be investigated, no effort withheld which might produce results. The following appeared in the *News* of May 19, 1922, under the heading, "Useless Expenditures":

From time to time during my incumbency as an officer of the Gulf, Mobile and Northern, I have stressed the importance of eliminating the useless expenditures in railroading. I have insisted that this should always come before wages were reduced. I have also insisted that an employee or party of employees who would arbitrarily attempt to fasten an item of expense to the Company which was unnecessary was so wholly lacking in interest in the welfare of the Company that it was almost hopeless to expect any loyal and efficient service from them.

An illustration of this class of expenditure and this lack of interest may be found in the effort of certain employees, who have a regular time each day or night to go to work, who know that under the contract this time cannot be changed without giving 48 hours' notice, and yet who insist that the Company furnish a call-boy to call them each day or each night prior to the regular hour for him or them to go to work.

I. B. T.

J. E. LINDSEY, OUTSTANDING EMPLOYEE
GM&N News, December 16, 1921

Flagman J. E. Lindsey, running on trains five and six between Louisville and Jackson, Tennessee, has secured some splendid new business for the Gulf, Mobile and Northern through his personal appeal to a friend, and by so doing sets a pace for trainmen on passenger trains. The new business secured is flour shipments in car load lots. Knowing the salesman he approached him relative to routing his shipments over this line. A car load, which started from Red Bud, Illinois, on Friday morning, and delivered to this line at Jackson the next morning, was spotted for unloading at Louisville, Mississippi, Sunday morning.

Pleased with the result another car was routed the same way but was never delivered to our line, being handled another way. Delivery was made in five days. The result is that the mill in Illinois is solidly behind the salesman's request that all shipments possible to his territory be routed by the Gulf, Mobile and Northern.

Mr. Lindsey makes it a point to be courteous to all of his passengers but especially to traveling salesmen. He is cultivating friendship looking toward solicitation of their business. Among other shipments recently promised him are several cases of shoes for delivery on our line. Former shipments of this kind having been routed a longer way around.

Such effort on the part of all trainmen coming in contact with commercial salesmen would result in many profitable consignments.

FIGURE 7

Solicitation for freight was constantly kept before the employees as one of the added duties of employees of the GM&N. A "Scratching for Business" Club was started in November, 1922, to give all employees a method of helping the Traffic Department and to see that the employee received credit for his effort.

The months and years which followed saw many promotional efforts started by the management of the GM&N in an effort to utilize the full power of their employee family. Some were not effective and had to be discontinued, but these failures did not deter the men in control. New plans, new programs, new slogans were constantly coming forth. The evidence is conclusive, too, that most of the aims of the management were attained. Sometimes it may have been perseverance, rather than brilliance, which won the fight; but, after all, achievement was the thing the GM&N was seeking. The man who won by persistence was acknowledged to be just as valuable as the flashier man who possibly had an easier victory.

One of the most striking solicitation programs that the GM&N was to produce began in the summer of 1924. It was a plan which did much to increase the freight tonnage of the road, and it also did much to hasten the rise of one of the GM&N's brightest young men. Credit for the idea was given to Glenn Brock, at that time assistant to the general manager. He also had much to do with its successful execution in the months and years following its adoption. The plan was called, "Over All Solicitation."[35] The following description is from the *News* of November 7, 1924:

> Mr. Brock conceived the idea when the new 250 class locomotives were purchased. The engine crews handling them were proud of the new engines and the train crews were proud that they were being pulled by such power. Everybody else on the Railroad evidenced pride because of the results being achieved. Why couldn't our shippers be acquainted with the service we could give them and the pride we as individuals would take in servicing them? That question in Mr. Brock's mind developed the novel plan of letterheads carrying pictures of this equipment and trains being handled by them, the letterheads to bear the names of the crew instead of Traffic Department officials.
>
> Letters were written to shippers who had cargo in the train and were signed by members of the crew. These letters expressed personal interest in the handling of the shipment in question and gave some interesting information relative to how it was being taken care of. The shipper was told when it was received and when it would be delivered to connecting line and the condition it was in when in our train.
>
> These letters were not written to just a few, but to shippers in general,

nor were letters sent only to those with full carload shipments. No one was overlooked.

Results were instantaneous. Members of the crews writing the letters began to get replies, some coming from men high in affairs of big business. And they have continued to come. Scores have written to the officers of the Company about the plan and all are loud in their praise of the novel method of soliciting business.

The Letters to shippers are still being sent out and will continue to be. As time passes the novelty of the plan may wear away and it may not attract such wide publicity, but it will still be serving in the capacity originally intended—solicitation.

"Over All Solicitation" helped as a means of obtaining tonnage, and it also produced widespread publicity which was worth almost as much to the Company. The employees who wrote the letters were very proud that their effort should be acknowledged by prominent national figures and magazines. As a result, team spirit soared and the good work continued.[36]

While enjoying the advantages to be derived from the success of these and other programs, the management did not let up its pressure on other problems. Damage payments to employees and to shippers were entirely too large to suit the men at the head of the GM&N. The *News* of February 13, 1925, had an interesting comparison to impress upon the employees the extent of these losses:

LOST: $352,000.00!

Which was paid out by this Company during 1923 and 1924 for personal injuries and accidents. This does not include $55,000.00 which yet remains on the books of the Mississippi Courts in judgments. This loss is equivalent to a loss of all the 250 class locomotives with a half dozen cabooses thrown in for good measure. In money it means the same as totally destroying the main line from Middleton to Walnut, or the total destruction of the main line mileage between Newton and Straton. A train of 150 box cars, hauled by one of our new locomotives with caboose attached run off the pier into Mobile Bay resulting in total destruction would mean no greater monetary loss than the loss sustained by this Company during the past 2 years on personal injuries and avoidable accidents.

In the summer of 1926 Glenn Brock, who had been made Assistant Manager, gave the Operating Department employees a "pat on the back." He listed 15 new records which had been set by the Operating Department of the Company in June, 1926. All of these were important, but at least two of them were outstanding in the Southern Region. The GM&N led all roads in the region in pounds

of coal consumed per 1,000 gross ton miles for the four months ending April 30, 1926. The road also led all others in per cent loaded to total car miles for the same four months.[37]

The high-water mark for "family" spirit and outward show of cooperation among the employees of the GM&N came in 1926. As has been said, the loyalty of the individual did not decrease, but the close ties which had been so evident for seven years began to loosen. Through the years, however, the "old time" personnel of the GM&N has never lost its desire and ability to break operating records. Neither has it entirely lost its interest in freight solicitation, though current operations have pushed the method of employee solicitation into the background.

In 1920, when the drive to improve began, there was much that an alert, interested employee could do to obtain new business. This backlog of business which could be influenced by employee solicitation began to be used up as interest heightened, so that by 1926 there was not much unsolicited business moving in the GM&N territory. The shift in the traffic situation caused by the new operation into Paducah affected the amount of traffic which employees could influence. When the GM&N made this connection, the Illinois Central ceased being a rather kindhearted but indifferent older brother. Instead, it became overnight a jealous rival, on guard against any further encroachment. Under this changed competitive situation, only better service of a truly superior nature could hope to win large amounts of traffic. In one swift year the GM&N ceased to be a provincial road primarily concerned with a small territory. It had entered national competition and was to be opposed henceforth by some of the smartest and strongest roads in the country. The best proof of the spirit and loyalty of the GM&N's employees is the fact that 1926 actually proved to be only the beginning of the Company's growth. It might be called the end of the GM&N's adolescent days and the beginning of its adult life.

CHAPTER · III

Public Relations, 1920–30

PUBLIC RELATIONS was another activity for which the President took personal responsibility during this period. In this area, the road needed to accomplish two main objectives. The more important of these aims to the Gulf, Mobile and Northern was public support for the growth program. Broad public support for any movement makes the selling job easier for any specific individual. If the public in general should come to believe that the GM&N was an enterprising and conscientious company, the traffic representatives of the road would have a much better chance of securing additional business.

The second broad objective of the public relations program which the GM&N began in 1920 was to help reduce the amount of "outside" expenses the road had to pay. The management of the road felt that too much money was paid out in the form of damage claims for livestock losses and personal injuries to nonemployees. The tax rates and assessment habits of certain communities were known to be excessive when compared to other localities. The public relations program of the GM&N was intended to improve the Company's position in these matters whenever possible.

The GM&N always realized that the "show window" of a railroad is its passenger service. The average citizen rarely becomes directly involved in the movement of freight, so people usually judge a railroad by the passenger service it provides. For this reason, the GM&N tried to maintain a relatively high level of passenger service in its territory. Unfortunately, passenger service was so bad in the early development years of 1920–21 that the only approach the road could use was to admit its faults and ask for time to make corrections. An open letter from Mr. Tigrett to the editor of a Missis-

sippi newspaper illustrates the position the road was forced to take on this problem. Since it presents the difficulties and the public relations objectives of the road so clearly, it is reproduced here:

The editorial which appeared in the last issue of your esteemed paper furnishes cause for sincere regret both to our management and to our employees.

The passenger service which the Gulf, Mobile and Northern is furnishing to its patrons is not what we would like to have it, and is not what we hope in time to make it. Every officer and every employee is eagerly looking forward to the day when we can equip our trains with new and modern passenger coaches. We are all looking forward to the day when our business will justify through trains with Pullman service.

At the present time, however, our passenger business does not justify the latter, and our financial condition will not permit of the former. The Railroad now known as the Gulf, Mobile and Northern has never, since its construction, paid to its owners one cent in dividends. Worse than that, it has not in the past been able to meet its operating expenses and pay the interest on its indebtedness, and twice already has been forced into the hands of a Receiver. Indeed, up to this time, its principal beneficiaries have been its patrons and those who live along its line. During the year 1920 the Road failed by more than $700,000 to earn its operating expenses.

You, I am sure, will recognize that such a state of affairs cannot continue indefinitely.

We, who are now charged with the responsibility of its management, have been putting forward every effort within our power to produce different results for the year 1921. We have been fighting with all our might to turn a deficit of more than $700,000 in 1920 into a net return sufficient to pay operating expenses, taxes and interest in 1921, and while this has not yet been accomplished, we have come nearer to doing so this year than in any year for a long time.

I regret very much that it was necessary to delay for an hour one of our trains on which you were a passenger. Notwithstanding the fact that we maintain passenger service on our line at a loss, still we do make an earnest effort to keep our trains on time and to give the best service possible.

Your statement that we are acting independently and unmindful of the interests of our patrons is certainly a very erroneous interpretation of the purposes and intentions of either the management or the employees, and I am very hopeful that the occasion which called forth your criticism will appear to you in a different light in view of the statements herewith given.

While, as I have said, our passenger equipment is not modern yet the improvement which we have made towards safety in improving the condition of our roadway, in improving the capacity of our locomotives, will be proof to you that the Company is doing everything in its power to sustain

and build up a property that will constantly become more serviceable to the communities through which it runs.

In a very short while we will owe the State of Mississippi nearly $200,000 for taxes for the year 1921. We haven't the money to pay it. I have impressed upon every one connected with the Road the necessity of utmost economy in order to provide these funds.

We depend almost wholly upon our freight service to produce revenue for meeting our obligations. The instance about which you complain occurred through our delaying a passenger train for a short while in order to try to help a freight train over the road.

You, yourself, are engaged in conducting an enterprise which is at least semi-public. You have, no doubt, in building up your paper, sustained embarrassments and misfortunes which do not come to those who publish larger papers and who have a larger income. You have, no doubt, expected and received the forbearance and co-operation of the public whom you serve. I most sincerely ask for the same forbearance and co-operation from you and the public generally whom we serve.[1]

At the same time, however, the road was trying to do what it could to please its traveling public within its limited means. In a December, 1921, issue of the *News*, the road announced to its employees and the public that all passenger trains on the GM&N now had free drinking cups for their patrons. No longer was it necessary to put a penny in a slot to buy a paper cup! To those of us who did little traveling and no remembering before 1920, this comes as quite a shock. Free drinking cups today are standard equipment, but this evidently was not so before 1921.

The road was trying to improve its service as rapidly as it could, and it used the newspapers to publicize this effort as much as possible. In addition, the Company was making an attempt to reach the general public by direct contact whenever an opportunity presented itself. All of the officials of the Company gave much of their time to speeches before any and all local gatherings available to them. The county fairs held along most of the line in the late summer and fall were ideal for this type of public appearance. A wide cross section of the people served by the road could be reached at these events. These "reports to the public" which the officials made gave the road a chance to put its problems before the people and appeal for increased support and confidence.

Mr. Tigrett was especially good at this form of presentation. Soon after he had spoken at the Neshoba County Fair, the *News* received a long letter expressing interest in the magazine and the road. In part, the letter said:

I cannot refrain from saying that your President, Mr. Tigrett, must be a wonderful man, from the methods he has adopted and is now pursuing. He is rapidly making friends among all classes of people along his line of railroad.

We are intensely interested in the success of the Gulf, Mobile and Northern railroad. Its success means our success, its success means the success of all kinds of business along its line and we earnestly bid its success for the future and have every reason to believe that with the present good management and the advice of its president, that it will in a few years be one of the great trunk lines of the South.[2]

Although the management was pleased with the general response to its improvement program, one phase of the Company's contacts with the public was quite disconcerting. Lawsuits were so common in the state of Mississippi that the Company decided to appeal to the general public for relief. The following advertisement is an example of the type of appeal which was used:

Taking it for granted that a certain amount of litigation and court procedure is necessary in connection with the operation of a railroad, and establishing a ratio on the basis of mileage, of population and of capital invested, THE NUMBER OF DAMAGE SUITS BROUGHT AGAINST THE GULF, MOBILE AND NORTHERN RAILROAD IN MISSISSIPPI SHOULD NOT BE MORE THAN FIVE TIMES THE TOTAL NUMBER OF CASES BROUGHT IN THE OTHER TWO STATES. AS A MATTER OF FACT, HOWEVER, THERE IS TWENTY-FIVE TIMES AS MUCH LITIGATION AGAINST THE ROAD IN MISSISSIPPI AS IN THE STATES OF ALABAMA AND TENNESSEE.

The grave question confronting us in this connection is how we are to continue to meet this expense. Are the people of Mississippi willing that rates should be increased in order to meet this large cost? Have the people of Mississippi considered the possibility of this character of expense reaching a point where the railroad could not survive?

I. B. TIGRETT[3]

The same type of public appeal was used by the road to direct attention to the increasing tax burden which the Company was being called on to pay. The advertisement reproduced in Figure 8, which the road inserted in newspapers along the line during 1923, shows the approach of the Company on this vital problem.

The GM&N had early recognized the power of the press, in establishing the *News* and in its advertising campaigns. The Company again recognized this power and did a fine bit of public relations work for itself in 1923. The Mississippi Press Association held its annual meeting in Mobile with the Alabama Press Association during the first week of June. The GM&N ran a special train to

Mobile for about seventy-five editors throughout Mississippi.[4] Many of these men and women came from communities not on the GM&N, but all seemed to enjoy the trip. For weeks after this event the *News* carried excerpts from favorable editorials clipped from papers all over Mississippi.

At least partial success for the public relations program of the GM&N is clearly indicated by an incident which occurred in Laurel,

WHO PAYS THE TAXES ON RAILROAD PROPERTY
GM&N News, August 3, 1923

The only source of revenue that this Railroad has is that derived from the transportation of freight, and passengers. Its every expense, such as taxes, judgments for damages, wages and operating costs, must come from this source.

In 1910 the Gulf, Mobile and Northern Railroad paid in taxes $49,540.62
In 1922 the Gulf, Mobile and Northern Railroad paid in taxes 311,316.57

In 1910 taxes were $123.00 per mile
In 1922 taxes were $632.41 per mile

This is an increase of 528 per cent in taxation against a mileage increase of 22 per cent. We simply refer to this matter so as to make it clear that Railroad taxation must be added to the cost of transportation, and therefore has a direct bearing on freight and passenger rates.

I. B. Tigrett, *President*
GULF, MOBILE AND NORTHERN RAILROAD CO.

Figure 8

Mississippi, in 1924. It also illustrates the approach the management took toward public discussion of railroad affairs. The *News* quoted the following story from the *Laurel Leader* of April 2:

One hundred businessmen of the city of Laurel met with President I. B. Tigrett, of the Gulf, Mobile and Northern Railroad Company in the Strand theatre at 10:30 o'clock Wednesday morning for the purpose of holding a general discussion to clarify the situation brought on by rumors prevalent regarding the movement of shops and other departments of the Gulf, Mobile and Northern away from Laurel.

As W. T. Scott so ably expressed it in the meeting, "It is merely a family row that turns out as they all do, in a love feast." Following discussions by the businessmen and explanations by Mr. Tigrett as to why the few men of the Gulf, Mobile and Northern were moved, S. M. Jones moved that the meeting accept President Tigrett's statement that the removal of employees from Laurel was for the good of the road and that the city pledge itself to support the road in every way possible. A rising vote adopted this motion unanimously.

Another Case of Rumor

A. G. Brush, president of the Laurel Chamber of Commerce, opened the meeting by briefly stating the purpose for which it had been called, saying in part that there had been a discussion of Gulf, Mobile and Northern shops enlarging in Laurel but after the strike in 1922 it seemed that the road tried to retaliate by sending the shops to Louisville. Rumors were prevalent on the streets, he said, that the Gulf, Mobile and Northern was going to move several other departments from here and that some of the businessmen did not understand the reason for such action.

Mr. Tigrett opened by the statement, "If asked if the Gulf, Mobile and Northern was inadequately protected in Laurel during the strike he would say unhesitantly, 'Yes.'" But if asked whether retaliatory measures had been resorted to, he would emphatically deny it.

The strike opened the eyes of the officials of the road to the inefficiency along many lines and since that time they have been improving the general efficiency all along the line. The moving of several men from Laurel was shown to be an improvement in every way for the road, he said, and added that he believed that the people of Laurel would understand that anything that was for the betterment of the road would indirectly make for the betterment of Laurel.

Centralizing Departments

Louisville is the half-way point on the Gulf, Mobile and Northern, Mr. Tigrett said, and is the logical place for the largest shops. The railroad has in the past been operating with departments scattered but is now bringing them together in one place which will make for more efficient and speedy transportation.

Mr. Tigrett explained that the average car miles of the road had increased from 9.9 miles per day in 1919 to 32.2 miles per day during January, 1924. The increase in business of the road since 1919 has been 150 per cent while the increase in employment has only been 20 per cent, he stated. In 1919 there were 282 employees of the Gulf, Mobile and Northern in Laurel, he said, and in January, 1924, there were 312. Removing of seven which is now being done, would leave 305 in Laurel, he added. The monthly payroll in Laurel is about $38,000 and more in proportion to volume of business than any other point on the road.

Speaking of the consolidation of the Alabama-Mississippi Improvement Association with the development department of the road in Mobile,

Mr. Tigrett said that the Association had simply run out of money, and when such a condition occurs there are but two things to do. One is to abandon the project altogether or to combine it with some other department. The road decided to adopt the latter policy, he said, and that is why the Association is moving its offices to Mobile.

Report Excellent Service

John Bissell and W. L. Pack told of the excellent service being rendered their business by the road and stated that they would boost the road as far as possible.

S. M. Jones offered the motion to accept Mr. Tigrett's statements and the city pledge itself to boost the road in every way possible, which motion was unanimously adopted by the meeting.[5]

By 1925 the GM&N had done much to live up to its claims of attempting to grow in order to serve its territory better. In spite of its improved financial position, however, and in spite of much better passenger train service, the road was experiencing a steady decline in passenger patronage. In an effort to combat this trend, the Mississippi Railroad Commission and the GM&N held a jointly sponsored session at Louisville, Mississippi, on June 13, 1925, to consider passenger train schedules. No decisions were reached, but the Company learned the desires of the towns and also advised the territory of its problems. It was a friendly session, and none of the communities came with the intent of "making trouble for the road." In fact, Laurel sent its mayor with a resolution expressing confidence that the GM&N was doing all it could to "furnish adequate passenger, mail, and express service to the patrons of the line."[6] No such resolution would have been passed in Laurel two years earlier, but the Company's service policy and good-will program had changed the attitude of many people toward the GM&N.

A constantly recurring theme of the public relations drive of the GM&N was the attempt to reduce the high level of damage claims against the road. The immediate purpose was to reduce expenses, but the Company had another long-range objective. This was to win a place in the hearts of the people of the territory as a good citizen and good neighbor. As long as the road was thought of as a cold-blooded, impersonal corporation, it could not expect the wholehearted assistance of its public. Damage payments had to be reduced, but the method to be used must be something other than sharp legal practice.

The road began this campaign by informing its employees and

the public of the extent of claims for livestock destroyed on the right of way. Soon after the Company started to release these reports, a few of the newspapers along the line began to print editorials to support the Company's position. In January, 1922, the *Newton Record* carried a story which was both humorous and helpful. The *News* quite proudly reprinted this editorial, which is reproduced in Figure 9.

Other claims also received their share of publicity. The following is taken from a letter written by an employee in the "Problems of the Railroad" contest mentioned earlier. It said in part:

> The question of litigation is the most serious. It is something that we must strive with our whole body and soul to overcome or at least to reduce to an absolute minimum. The losses every year through litigation are something terrific. A few of them, I presume, are just, but for the most part they are a rank injustice. I refer particularly to a case now pending in which a lady is suing this company for nearly four thousand dollars because she alleges that there was no fire in one of our waiting rooms upon a certain morning and she contracted a cold which confined her to her bed for three weeks. As a matter of fact, there was a fire in the waiting room stove on this day and she also walked three miles through the rain nine days later and signed a freight bill at this same station. But can we make a jury believe that she should not be entitled to damages? I am afraid not.[7]

Damage suits against the road in 1923 totaled approximately $300,000. This did not include claims amounting to a considerable sum which the Company settled out of court. One of the outstanding suits against the Company was a case in which the injured party had driven his automobile into the tender of the locomotive after the road was completely blocked by the moving train. Other suits were filed by trespassers on railroad property who were injured while trespassing. Mr. Tigrett humorously told a group of prominent Mississippians that he felt sure an income tax applied only to damage-suit lawyers would provide sufficient income to finance the state's operations for some time.[8]

Mississippi passed a law in the spring of 1924 for which the GM&N could claim partial credit.[9] It was a "Stop, Look, and Listen" law similar to those already passed by other states. This did not mean the end of crossing accidents; neither did it mean the end of damage claims against the railroads. It did, however, mark the willingness of the state legislature to acknowledge that a train could not stop for a car except in unusual cases. From this date on, juries had a hard time accepting the logic of railroad responsibility in cases

where people clearly broke a state law by not stopping at the crossings to avert an accident.

One of the most spectacular damage suits ever to be filed against the GM&N was the Brown case, which was tried in Newton County, Mississippi, during 1924. A jury awarded $40,000 in damages for one of three people injured in the crash. The railroad felt that this

LIVESTOCK CLAIMS
GM&N News, January 27, 1922

According to Claim Agent J. J. Henry, of the Gulf, Mobile and Northern Railroad, Diogenes could have found one honest man in these days, were he in Tippah county. Mr. Henry has, during his tenure of office, settled claims for approximately 20,000 animals killed by the Gulf, Mobile and Northern Railroad, and of this number, with the exception of two, it was claimed by the owners that the stock was of a superior grade or breed. One man, however, wrote Mr. Henry recently that the cow for which he was making claim was only an ordinary animal for which he had paid only $18, and all he wanted the railroad to pay was an equal amount. Mr. Henry thought the letter making this statement was worth preserving.

People often denounce the railroads for high freight and passenger rates and for other alleged offenses, but no wonder they have to charge as much as they do, when so many people want to "gouge" the railroads. Some folks have an idea that they have a perfect right to get all they can out of a railroad. They seem to think that if a railroad accidently kills a scrub cow worth about $15 or $20 that there is nothing amiss in putting in a claim for two or three times that amount, and to claim that the animal killed was a fine one. If that is honorable, then there is nothing wrong in taking money that belongs to the railroad.

FIGURE 9

amount was so excessive that it "appealed" its case to the public through the newspapers, while also appealing to the State Supreme Court. The appeal to the public is so unusual that it is presented here:

AN EXPLANATION AND AN APPEAL

Some time last Summer, a banker of Newton, Miss., while driving an automobile containing his family along a road with which he was entirely familiar, attempted to make a crossing ahead of a freight train on

the railroad tracks of this Company. At the particular crossing at which this accident occurred, an approaching train could be seen from any point within seventy-five feet of this crossing, for more than a quarter of a mile. As a result of the accident, suits were brought against the Gulf, Mobile and Northern Railroad aggregating one hundred twenty-one thousand eight hundred dollars ($121,800) for injuries alleged to have been sustained by this banker, his wife and his son.

A jury in Newton County has just awarded a verdict against this Company in favor of the Banker's wife for forty thousand dollars ($40,000) for injuries alleged to have been received by her. This is five times as large as any verdict ever rendered against this Company before for any automobile crossing accident, even where there was loss of life involved, and where the injured were permanently incapacitated. It is twice as large as any verdict of any character ever rendered against this Company.

It is so large that we are compelled to announce that pending the final disposition of this and the other cases involved, this Company will have to curtail its improvement and development program.

This statement is in no sense prompted by a feeling of resentment. We believe this Company has already had occasion to prove that it does not let prejudice or retaliatory tactics have any place in the operation of this Railroad. Furthermore, we realize that when we leave off some improvement, we are, to that extent, preventing a more economical operation which would benefit ourselves as well as the patrons of our line.

Unfortunately, however, we have other claims pending against us. We have no surplus upon which to draw. We are dependent upon our earnings out of which to pay our operating expenses and our improvements, as well as our taxes and our damage claims. We have no other source of revenue. We are, therefore, compelled to use appropriations intended for other purposes in order to meet unexpected liabilities of this kind.

. . . . . .

It should also be stated that nothing herein is intended as a criticism of the Courts or the juries. The law in Mississippi is our law, and we make every effort to uphold it. If the law makes it incumbent upon long heavy freight trains or any other kind of trains, daily running over the same tracks located in the same place, to keep out of the way of automobiles, then those who violate the law must pay the penalty. If the jury was instructed that the Railroad was responsible for the safety of the occupants of this car, and that this wife whose misfortune we greatly deplore but who was in attendance at this trial, was injured to the extent of $40,000, it is not the purpose of this statement to make any criticism of the jury.

This advertisement is intended as an explanation of why we are forced to forego certain improvements and forced to limit certain development

projects which have been proposed along our line, and which we had hoped to make. This advertisement is also a little more than that. It is an appeal to the automobile owners and drivers for a more careful approach to railroad crossings. An accident represents an economic loss to the injured party, to the railroad, and to all the people along the line of railroad.

Again, it is a special appeal to bankers to use our crossings as little as possible. If our enginemen and trainmen could have some notice of their intention to drive across our line at some particular time, we could well afford to suspend operations entirely for that day.

We repeat again that the management and the employees on this line are making an earnest effort to make the line useful to the communities through which it runs. We also repeat what we have said before, that no territory is going to enjoy much prosperity that is not served by a prosperous transportation line.

This Company cannot hope to become prosperous when it is afflicted by such needless liabilities as the one herein mentioned. Many such would nullify the usefulness of this Railroad, and would, in effect, destroy the value of the property to the owners and to the public.

We again appeal to every citizen along our line for aid and co-operation.

I. B. TIGRETT, *President*
GULF, MOBILE AND NORTHERN RAILROAD[10]

Evidence of the success of the efforts to reduce damage claims is found in a statement by Mr. Tigrett to the *Memphis News-Scimitar* of October 2, 1924. The paper is quoted as follows:

The change in the attitude of the public and of the employees toward the railroads that has taken place in recent years is one of the big factors contributing to the improvement of rail transportation in this country, according to I. B. Tigrett, president of the Gulf, Mobile and Northern Railroad who is in Memphis today.

. . . . . .

"The public always wants to be fair, I am convinced. Any other attitude can always be traced to a lack of information concerning the situation. We find the people living along our lines anxious to co-operate with the railroad. We are trying in every possible way we can to keep the public informed regarding all details of operations, earnings, cost and improvements in the service."

As an evidence of the improved relations, Mr. Tigrett said that the Gulf, Mobile and Northern railroad now has practically no litigation of consequence in the courts.[11]

In the latter part of February, 1925, the Mississippi Supreme Court handed down its decision on the famous Brown case from Newton County. The court reversed the decision and remanded the case for further action. This was a tremendous victory for the road, and many people felt that it was in a measure a personal triumph which some other railroads might not have won.

In spite of this and other victories in the courts, traffic accidents continued to plague the railroad and make the lives of engineers and crewman unpleasant. For these reasons, the road's battle against crossing accidents continued unabated. A majority of the public now seemed willing to support the position of the railroads, but the vocal and sometimes troublesome minority still had to be dealt with. The Company continued its use of newspaper advertisements in an effort to win support from the careless. In case this support was not forthcoming, the road sought protection from the acts of the willful few. The following is an example of one of these advertisements:

Within the past few days, we have had three cases where engineers have had to stop our engines and assist in pushing stalled automobiles off the tracks. We recently had a brakeman run ahead of moving cars and actually lift a front end of an automobile around and off the track to the apparent enjoyment of the occupants of the car.

We earnestly appeal to officers of the law, to our patrons, and to all other good citizens along our line to aid us in our effort to prevent these accidents.[12]

Again in July, 1927, the road used the newspapers in its continuing effort to win the public to respect its own safety. One of the advertisements used in this campaign is also quoted:

We are again appealing to public officials and to the public itself to aid us in making the autoists more careful.

Just a few days ago, a man, driving an automobile down one of the streets in a town on our line, went right on into a train which was standing on the crossing. He hit a box car fifty feet long and fourteen feet high. We do not know the dimensions of the counter attraction—probably much smaller.

Careless driving not only endangers the safety of the occupants of the automobile, but it puts in jeopardy the lives of passengers who ride the trains, as well as the trainmen in control of them.

Reckless automobile driving is decreasing the efficiency of railroad service.

This is a situation that can be greatly improved. May we not have your assistance?[13]

There was one consolation to those who had to struggle to protect the revenues of the Company. Apparently the desire to collect funds from a railroad was an age-old failing. At any rate, the following story would indicate that it is not a new thing:

Sam Neville, builder of the Meridian and Memphis and the Jackson and Eastern railroads, told an amusing story on railroad public relations at the banquet tendered by the city of Jackson on the occasion of the entrance of the Gulf, Mobile and Northern and the New Orleans, Great Northern into the Mississippi Capital.

The Meridian and Memphis railway had been built as far as Little Rock, Mississippi, a few miles west of Meridian, and the community was holding a meeting in celebration. It was the only railroad in the section and opened up a territory which in the strictest sense of the word was virgin.

A number of eulogizing speeches had been made. Speaker after speaker told of the vast riches the new road would bring into the section, of the certain benefits which the section would derive. J. R. Buckwalter, a prominent lumberman, was also slated to speak.

"Friends," he said, "now that your dreams have been realized, now that you have your railroad, what are you going to do with it?" He paused impressively and prepared to go on with his talk.

Then a voice interrupted the silence, a voice from the rear of the gathering.

"Gwine ter sue it," it said.[14]

Crossing accidents continued to be such a national problem that finally the U.S. Supreme Court had to rule on one of them. Mr. Justice Holmes's decision in the celebrated Goodman case was rendered in November, 1927. There is no way of knowing how much influence this decision had on cases in GM&N territory, but it certainly provided fresh incentive to those struggling to protect the railroad against crossing accidents. The Supreme Court said: "When a man goes upon a railroad track he knows that he goes to a place where he will be killed if a train comes upon him before he is clear of the track. He knows that he must stop for the train, not the train for him. . . . If at the last moment Goodman found himself in an emergency, it was his own fault that he did not reduce his speed earlier or come to a stop."[15]

By 1928 the Company had attained a reasonable degree of success in its constant campaign to reduce damage suits of all types. In most of its territory it had been accepted as the good citizen it tried to be. The management felt, however, that no one part of its territory should "profit" at the expense of the whole. The new territory

TO THE PEOPLE OF SCOTT AND RANKIN COUNTIES, MISSISSIPPI
GM&N News, March 25, 1928

During the past year the Gulf, Mobile & Northern has put into operation an extension of its line into and through Scott and Rankin Counties. Whether or not this large expenditure will bring any returns to the stockholders of the Company is a matter of uncertainty. There can be no possible doubt, however, that benefits will accrue to these Counties.

The number of claims that have been filed against the Company in this new territory has been noted with keen regret and concern. We believe that an investigation would develop the fact that it is not necessary to sue in order to get a fair settlement from us. It is neither neighborly nor co-operative to file suits before an opportunity is given to discuss their merits.

The fact that law-suits against railroads which originate in other parts of the State are transferred by the claimants' attorneys to Scott County for trial evidently indicates a belief that there is either more prejudice or more justice in that County than elsewhere. Is this true?

We sincerely trust that the relations of the Gulf, Mobile and Northern Railroad with the people of Scott and Rankin Counties will be similar to the friendly and helpful attitude which exists in most of the counties through which we operate. We shall leave nothing undone to bring about such a condition.

I. B. TIGRETT, *President*
GULF, MOBILE & NORTHERN RAILROAD

FIGURE 10

through which the Company had by this time built its lines into Jackson, Mississippi, apparently was not accustomed to accepting corporations as neighbors and friends. From 1926 to 1928 the GM&N was hit by a large number of damage suits of all types which were filed in the courts of this area. Once more the Company turned to newspaper advertisements to present its case to the people of its new territory. One of the advertisements which was used is reproduced in Figure 10.

Even though much improvement had been shown, damage claims

for livestock losses in 1929 were still larger than the GM&N thought they should be. The Company decided to try a new method of attack on this problem. In newspaper ads the Company announced a co-operative plan which it thought might help to prevent these losses. For the land- or stock-owner who would provide the fence posts and put up the fence, the GM&N agreed to provide the wire and staples.[16] The road felt that at least some of the farmers along the line would try to keep their stock off the right of way if free fencing were provided.

J. N. Flowers, General Counsel of the GM&N, made a speech to the surgeons employed by the road in 1930. In discussing his topic, which was "Claims," he gave very clear expression to the over-all public relations policy of the road. He is quoted in part:

> The Legal Department is concerned with the activities of the physicians and surgeons in at least two important respects: with the character of treatment given persons injured in the operation of the Railroad and with the correctness of the information furnished them as to the nature and results of the injuries.
>
> We are also concerned with the attitude of the public toward this Company resulting from the impression carried on the public mind as to our customary way of dealing with the people with whom we do business. Are we fair? Do we practice trickery? Do we impose upon the ignorant and helpless? Do we drive hard bargains wherever we can? Do we treat all claims as being fraudulent? Are we arbitrary, unreasonable or hard to do business with?
>
> This management has labored to get its relations with the public on an agreeable basis. It has exerted itself to establish the reputation of dealing fairly and reasonably with every person with whom it has business whether it is in the issuing of a bill of lading, the hauling of freight, the transportation of passengers, the acquisition of property needed for railroad purposes, payment of taxes, the settlement of cow claims, the adjustment of personal injury claims, or the delivery of freight. Whatever the business is we want the public to entertain the belief that this Company stands ready to promptly and agreeably do what the right of the thing requires, whatever it may be.[17]

Few people who have followed the growth of the GM&N and the Gulf, Mobile and Ohio over the past 30 years would question this statement made by Judge Flowers. The public, in general, has accepted the fact that this corporation tries to be fair in its dealings with its employees and the public it serves, even though differences of opinion often do occur.

CHAPTER · IV

Development Program, 1920–30

IT HAS BEEN SHOWN that the management of the Gulf, Mobile and Northern in 1920 was acutely aware of the fact that the timber tonnage which formed the basis of the railroad's business was a temporary source of traffic. Therefore, it was essential that the road assist, in every possible way at its command, the further development of permanent sources of traffic. The answer to a railroad's traffic needs are relatively simple. People must be present in the territory served, and these people must be busy at economic activity which calls for the movement of large quantities of rather bulky goods. Much of the GM&N's territory in 1920 was not occupied by large groups of people, neither did it seem to provide the bases for economic activity of a permanent nature. Population in Mississippi actually showed a decline for 1920 from 1910, and the timber which had been responsible for the opening up of South Mississippi was fast being shipped out. There were no visible signs of mineral wealth in Mississippi, nor did the long-run prospects of cotton culture look promising. The older agricultural lands of Mississippi had been opened for the growth of cotton, and the state's early prosperity had depended entirely on that commodity. By 1920, however, the cotton economy of the South seemed to be facing many difficulties. Overproduction at home, growing competition abroad, and the boll weevil had all joined to bring 30 years of decline to the profits of cotton growers. It seemed apparent to all concerned that a large bloc of new, but not too fertile, agricultural land in Mississippi could not hope to provide enough income to attract a large group of cotton farmers to it.[1]

Another "answer" which was not a workable solution to the problems of 1920 was reforestation. True, the land was ideally suited to

the growth of timber, but there were two basic obstacles to this course. First, in the early years after 1920 the growing of merchantable pine timber was assumed to take 50–100 years. Long before these new trees would be ready for the logging crews, the people in the territory would have moved away or starved to death. Even the railroad would have salvaged its steel rails and closed out its operations. The second big obstacle to the reforesting of large areas was the type of tax law under which Mississippi operated in 1920. Her basic levy was the ad valorem tax on real property, which was designed to produce larger amounts of revenue as real property increased in assessable value. Hence, few people were willing to face 50 years of taxpaying at an ever-increasing rate before reaping any benefit from the planting of young pine forests.[2]

The only immediately apparent answer to development problems in 1920 was diversified agriculture. The territory seemed to have all the requisites for easy production of many of the "small" crops of the country. Because it seemed to be the only answer, and a relatively good one, all of the various groups interested in development turned quickly to its promotion. The GM&N joined forces with the state extension services, the banks, utilities, and other institutions in advocating the new type of agriculture, especially in Alabama and South Mississippi.

The road provided space along its right of way for vegetable and fruit-packing sheds. In some instances where a large production seemed imminent, the road itself built the sheds as a public service. The Company joined with the extension people in offering prizes for poultry and egg production at the many county fairs held throughout the region. Special low rates were set for the hauling of manure from the stockyards at St. Louis. Limestone was considered of so much value as a conditioner for the crop lands along the GM&N that the road announced in 1922 that it would refund its entire transportation charges to any farmer who bought limestone for the purpose of enriching his land.

The road employed a full-time agricultural development employee who worked with any community along the line which wanted his services. If a town or section decided it wanted to go into a specific activity, such as syrup production, this agent of the road would procure all available information about types of cane, methods of planting and harvesting, as well as types of processing plant needed. In the rural sections of Mississippi, especially, this

was a valuable service, because few local citizens had access to such information.

In conjunction with a branch banking house in North Mississippi, the GM&N sponsored a series of local showings of educational films on more efficient rural life. Matters of health and diet, as well as homemaking hints, were stressed along with better farming practices. It was so enthusiastically received that the road helped carry the program into areas not served by the banking house.

Most of the land suitable for agricultural purposes in the North Mississippi counties was already under some form of development. Hence, in these areas the land development program had to be one of more intelligent or more intensive use of existing farm acreage. In South Mississippi and part of Mobile County, Alabama, there were large areas of cut-over lands lying idle. These acres were covered with fire-blackened stumps, some blackjack oaks, and weeds or heavy grasses of low nutritive value. In the main, this land was owned by lumber companies, though in some instances it had reverted to state ownership through tax default.

In 1922 the GM&N took the lead in organizing a program to locate farmers on much of this land. In the first months of 1923 the Alabama-Mississippi Improvement Association was formed, with headquarters at Laurel, Mississippi. This was a co-operative effort on the part of landowners, banks, and the GM&N to settle farmers on the cut-over lands between "Mobile, Alabama, and New Houlka, Mississippi, 300 miles north of Mobile."[3] J. G. Haman, of the GM&N, was named managing director, and the road was to bear a heavy part of the expense of this organization. The plan was to allow a prospective purchaser five years' use of the land without payment while he established his "homestead." If necessary to get a farmer started, the GM&N was willing to lend him money enough to buy five dairy cows and a pair of mules. In addition, for the free use of these newcomers and others in the community, the railroad promised to provide registered dairy bulls to build up and improve local milk herds.[4]

This ambitious program for farm development was not particularly successful in achieving its ends. It did some good, but if the future of the road had depended entirely on new settlers on farms in the cut-over areas, it is probable that the GM&N would not have grown to its present position of importance. The other programs

sponsored by the Company had a beneficial effect on the basic agricultural practices of the area but could not be considered as prime tonnage developers for the road.

The GM&N had been working for many years for a better port establishment in Mobile. The Company had its own docks at Choctaw Point, but facilities were not adequate for all ships the GM&N wanted to serve. For this reason, the GM&N, along with the Louisville and Nashville, arranged to pay cost differentials for ships using Turner-Hartwell Dock Company facilities. The Company also spent a large amount of money improving its own dock facilities at Choctaw Point.[5] More important, however, was the effort by the GM&N and the people of Mobile to induce the state of Alabama to build a system of state-owned docks at Mobile. The GM&N hired a nationally famous development engineer to work with the people of Mobile and various Alabama legislative committees in studying and planning this great project.[6] Undoubtedly, the resurgence of Mobile as a port dates from the decision by the state to spend $10,000,000 on the modern facilities which began to serve the needs of the city and harbor in 1928.[7]

The *News* of April 2, 1926, carried a long story about an important meeting of the Southern Industrial Conference of the American Mining Congress. The GM&N was represented in the sessions, and as one result of these meetings the road employed Dr. H. M. Payne as consulting geologist.[8] The purpose was to have Dr. Payne make a careful study of the mineral wealth in Mississippi adjacent to the railroad. Some interesting if not valuable evidence was uncovered in the course of these studies. The following is the comment of T. T. Martin, who assisted in the survey: "They worked hard and thoroughly, and turned up a great amount of information which was scientifically interesting but commercially almost valueless. We had iron ore, but in strata too thin. We had lignite, but not in sufficient quantity. We had limestone, too soft to use as building material or aggregate. We had vast quantities of bauxite but of the wrong composition. We had commercially usable clays but not enough to balance the loss of one saw mill."[9]

The GM&N worked hard to open up mineral deposits along the line and in early 1928 conducted a tour of these resources in conjunction with a meeting at Mobile of the Southern Division of the American Mining Congress.[10] Dr. Payne and T. T. Martin were hosts

for the GM&N on this occasion, along with G. M. White, then General Passenger Agent and Supervisor of Development Activity for the road.

The Company continued its program of farm development throughout the period but shifted emphasis in the later years to improvement of existing farms. It developed its own farm experiment station in the cut-over lands of South Mississippi to show what could be done with careful management.[11]

S. A. Robert, for years director of the West Tennessee Experiment Station at Jackson, Tennessee, was borrowed for promotional work over a number of years, and finally in August, 1929, Mr. Tigrett employed him to devote full time to the GM&N program.[12]

In 1930 the GM&N was hard at work trying by every available means to counteract the creeping effects of the depression which grew out of the financial and industrial East and North but was rapidly engulfing the other sections of the country. It cannot be said that the road had been spectacularly successful in its development efforts, but certainly the people along the line of the road knew that the GM&N was interested in their joint welfare. That, after all, may be the most vital part of any railroad improvement program, for no railroad alone can build a strong, permanent economy in a new territory.

CHAPTER · V

Changes in Main Line and Branches, 1920–30

Disposal of Unprofitable Branches

Long before 1920, the Gulf, Mobile and Northern's branch line to Ellisville, Mississippi, had become unprofitable. This town, about eight miles southwest of Laurel, is on the main line of the New Orleans and Northeastern. Practically all passenger business out of Ellisville had traveled over the NO&NE for many years; the timberlands along this branch of the GM&N's rails had been bare for some time; and most of the freight service into the town was handled over the NO&NE. The GM&N applied, therefore, in the spring of 1920, to the Interstate Commerce Commission (which, under the Transportation Act of 1920, had control over abandonments) for permission to discontinue service over this branch and for authority to salvage the equipment along the line.[1]

The Board of Directors had decided on August 27, 1920, that the road should refund to the city of Ellisville or to its citizens a $4,000 construction bonus paid to the Company prior to its entry into the town.[2] Then, on November 30, the Interstate Commerce Commission gave its approval for abandonment of the line, effective December 26, 1920.[3] This the road proceeded to carry out in spite of an attempt by certain Ellisville citizens to obtain an injunction to prevent the abandonment.[4]

The Hattiesburg branch had also become unproductive to the GM&N, because the more direct lines of the Gulf and Ship Island and the NO&NE obtained the major share of the rail business of this lumber center. This branch line did have some value as a local

unit because it served the Tatum Lumber Company mills and ran through territory unserved by any other road. The GM&N arranged to lease this 26 miles of line to the Mississippi Central Railroad with the provision that trains of the MSC out of Natchez, Mississippi, could also operate over the GM&N from Beaumont to Mobile under trackage rights.[5] This lease and contract, which was for 3 years, became effective July 15, and the MSC actually took over operations on August 15, 1921.[6]

Since the GM&N obtained practically no revenue out of this arrangement, when the lumber company headed by W. F. S. Tatum evidenced a desire to buy the Hattiesburg branch in 1923, the GM&N was quite willing to consider the proposal. The MSC was either unwilling or unable to meet the price of $335,000 offered by Tatum, but it tried to prevent the sale. The Interstate Commerce Commission finally approved the transaction with a provision that the Bonhommie and Hattiesburg Southern, as Tatum planned to call his road, should make an agreement with the MSC to allow the continuation of the Natchez-Mobile service. This approval came on January 9, 1925, and the Bonhommie and Hattiesburg Southern became the owner and operator of the Hattiesburg branch on January 15, 1925.[7]

Major Additions to the Road

The so-called Chickasaw spur, about 4 miles in length, was started in 1918, during the wartime shipbuilding boom. The GM&N purchased the right of way from its Frascati shops to the town of Chickasaw on the Mobile River, north of Mobile. This line curved around Mobile to the west of the city. While the road was under government control, the federal managers refused to allow funds for completion of this line because it was "unneeded duplication of existing facilities."[8] The Mobile and Ohio and the Southern Railway already served this area with their lines which were in the northern section of Mobile. Because the road lacked funds of its own, the project was not pushed to completion while the government controlled the Company's operations. After the road had reverted to private control, the immediate value of the project decreased greatly because of the decline in shipbuilding activity at Chickasaw.[9]

In 1924, however, when the state of Alabama began plans to build its $10,000,000 state-owned docks along the water front just

north of Mobile, the GM&N immediately made arrangements to complete the Chickasaw spur to serve the new docks as well as other industrial development in that area. The Louisville and Nashville also desired to use the spur along with the GM&N so it, too, could serve this new activity. Work was begun in December, 1924, and the spur put in service during the following year.[10] On January 13, 1927, the Interstate Commerce Commission gave its approval for the L&N to use this spur and 5 miles of the GM&N's main line around the city of Mobile.[11]

At the time that Mr. Tigrett became President of the GM&N, the already close ties between the Birmingham and Northwestern[12] and the GM&N became stronger. The GM&N decided not to build its own terminal in Jackson, Tennessee, but to lease facilities from the Birmingham and Northwestern, which had adequate space in its station for both roads.[13]

As early as June, 1922, the Board of Directors of the GM&N drafted a plan to purchase the Birmingham and Northwestern; but because the plan proposed to issue 3,000 shares of stock in the GM&N to the stockholders of the Birmingham and Northwestern, the Interstate Commerce Commission refused to approve the plan.[14] The owners of the Birmingham and Northwestern stock refused the GM&N's next offer, and the idea of purchase was dropped temporarily at the suggestion of Mr. Tigrett.

This decision not to purchase did not destroy the working arrangements between the two roads. In July, 1923, Mr. Tigrett was authorized to negotiate for new terminal facilities, with the GM&N paying a fair share of all costs on a lease basis.[15]

In March, 1924, a new purchase plan was proposed, and this time all parties agreed to the transaction. The GM&N bought the bonds of the Birmingham and Northwestern and took an option on 2,000 of the 3,000 shares of the Birmingham and Northwestern stock outstanding. These controlling shares were to be bought for the nominal sum of $5,000.[16] The GM&N assumed complete control over operations on the Birmingham and Northwestern in 1924 but did not change its corporate setup at this time. On April 29, 1927, the Interstate Commerce Commission authorized the GM&N to buy, as of May 1, 2,090 shares of Birmingham and Northwestern stock.[17] After this purchase, the Birmingham and Northwestern was operated under a lease agreement until 1929. Finally, in 1929, the GM&N was

allowed to merge the Birmingham and Northwestern completely into the larger company. For accounting purposes this merger was completed as of October 31, 1928.[18]

The Meridian and Memphis Railway was for all practical purposes a part of the GM&N in 1920, since control of the Meridian and Memphis had been acquired by purchase of all stocks and bonds in 1918.[19] The two roads were operated so much in common that in 1920 they issued joint tariffs, but no legal merger had taken place. In 1921 the Board of the GM&N was advised that approximately $1,000 could be saved each month if such a merger were completed. Approval for such a merger could not be obtained from the Interstate Commerce Commission, however, because the Commission was not allowing any mergers until the national consolidation plan was completed.[20]

On January 1, 1923, separate operation of the Meridian and Memphis ceased and the GM&N operated this mileage under lease as a direct part of its own lines. Finally, in 1929 the Interstate Commerce Commission gave its approval, and this small company was merged into the GM&N along with the Birmingham and Northwestern and the Jackson and Eastern.[21] After September, 1929, the Meridian and Memphis ceased to exist as a corporation. Its accounting records were included with those of the GM&N after October 31, 1928, as was also the case with the Birmingham and Northwestern and the Jackson and Eastern.[22]

S. A. Neville, leader of the group of Meridian citizens who had developed the Meridian and Memphis, was also interested in the formation of the Jackson and Eastern. A charter was secured to build from Union, Mississippi, to Jackson, Mississippi, and by November, 1916, the road had built the first 13 miles to the sawmill town of Sebastapol.[23] This short line served valuable timber interests, but it could not really be classed as a common carrier. Sporadic efforts were made from time to time to extend the line, but little was accomplished before 1920. As early as April, 1922, however, the Board of the GM&N discussed its interest in seeing the Jackson and Eastern extended.[24] In keeping with this interest, the officers of the GM&N were authorized by the Board of Directors on September 21, 1923, to lend the Jackson and Eastern up to $25,000 for building purposes.

The GM&N continued to advance funds and buy Jackson and Eastern bonds up to a maximum of $100,000, the new limit set by

the Board of Directors on September 18, 1925. In the first part of 1926 the GM&N worked out a purchase plan with the owners of the Jackson and Eastern to assume complete control of their road with its franchise to build into Jackson.[25] The GM&N's intention was to rebuild the mileage already constructed and also to extend the line to Jackson, some 40 miles from the end of the Jackson and Eastern at Lena, Mississippi. With this entry into Jackson, Mississippi, secured, the GM&N would be enabled to open up an entirely new phase of its operations. Jackson was the northern terminus of the New Orleans Great Northern Railroad, which extended south to the city for which it was named. This line was eager to enter into a reciprocal traffic agreement for hauling freight north of Mississippi's capital city. In this manner, the GM&N expected, finally, to reach New Orleans and its extensive north-south freight movement.

Coupled with this extension to Jackson, Mississippi, and the New Orleans arrangement, was a plan to extend the road northward beyond Jackson, Tennessee. An agreement was reached with the Nashville, Chattanooga and St. Louis Railway which permitted GM&N trains to operate into Paducah, Kentucky. The GM&N was to pay a specified price for each car of freight moved over this 145-mile stretch of roadway. GM&N's own engines and crews would make this run. In effect, the road was extended north to Paducah, even though the GM&N did not own the trackage over which it was to operate.

The basic reasons for this series of maneuvers were to allow the GM&N to secure more freight to haul and to allow it to haul much of its freight a greater distance. Another agreement was also made in this same general period which, it was hoped, would be of tremendous help in obtaining new freight to be hauled. The GM&N entered into a preferential traffic agreement with the Chicago, Burlington and Quincy Railroad for this purpose. The CB&Q, one of the largest railroads in the Midwest, had a line which extended south to Paducah; thus, this agreement would tie the southern ports of New Orleans and Mobile into a rail system connected on the north with St. Louis, Chicago and almost all other important rail points in the Middle West.

All of these arrangements for expansion of the operations of the GM&N were made prior to approval by the Interstate Commerce Commission. Actually, none of them could go into effect until the commission gave its assent to the plans. Fortunately for the GM&N,

the approval of the Commission was forthcoming.[26] The GM&N–NC&STL–CB&Q arrangement went into effect on August 1, 1926. Approval was also given for the purchase and rebuilding of the Jackson and Eastern. Operations to Jackson, Mississippi, and New Orleans were authorized to begin on July 1, 1927. Because of construction difficulties, it was July 17 before regularly scheduled freight service began over the new part of this line.

The GM&N operated the Jackson and Eastern under a lease agreement until 1929, when it also was merged into the GM&N under the same provisions as had applied in the cases of the Meridian and Memphis and the Birmingham and Northwestern.

The GM&N's last major acquisition during the period 1920–30 came very close to the end of the decade. On September 27, 1929, the Board of the GM&N decided to try to acquire control of the New Orleans Great Northern[27] through a stock exchange agreement.[28] By the end of the year ICC approval had been given, and on December 30, the transaction took place.[29] No immediate changes in operations were planned for the two lines, except that the top GM&N officials were named to similar positions for the New Orleans Great Northern without any increase in pay, reflecting in part the reason for this change. This move brought under one management approximately 1,000 miles of main line, which was well over twice the 409 miles the GM&N had in 1920.

CHAPTER · VI

Changes in Operating Conditions, 1920–30

No sector of Gulf, Mobile and Northern activity made greater strides in the period 1920–30 than did the Operating Department. The improvement program began at once when the road was returned to private control in March, 1920. Operations in the early months of 1920 were under the control of Vice-President and General Manager E. D. Hogan, who had acted as operations officer under the federal manager during government control. Hogan resigned in the fall of 1920, and H. G. Sparks replaced him. Sparks proved to be such a good man for this post that he was made Vice-President of the Company in December, 1921. His sudden death in August, 1922, cut short a very promising career at a critical time in the road's operations. Fortunately, his place was amply filled by P. E. Odell, who was chosen to succeed him.

Under Odell and his assistants, the operating personnel continued the development which had been in evidence under Sparks's leadership. By 1926 the GM&N was recognized as having shown more improvement in operations than any other railroad in the Southern District. For a few years after 1924, hardly a month passed which did not see some Company record fall, as new levels of efficiency were established. After 1926 a decline in the rate of improvement could be seen, but the upward trend did not break until the decline in traffic volume in 1929 and 1930 forced a change in operating patterns.

Four factors may be said to have been of prime importance in establishing the improvement records of the GM&N during the

decade. First, the road's past operating record was so poor that it was not hard to show relative improvement. Second, the GM&N had a group of employees whose loyalty and native ability was above average. Third, the road acquired a group of top supervisors and executives who developed superior knowledge and skill in railroad operation. Lastly, under the astute control of these executives, GM&N employees acquired an almost fantastic degree of *esprit de corps*, and they became willing to merge their personal ambitions with the Company aims of improving the road.

Efforts to improve operations in 1920 were limited by the circumstances under which the road labored. First, the management was not completely familiar with its problems. Moreover, its funds were very low throughout the year, so that only the most urgent projects were undertaken. The roadbed was reconditioned throughout, because that was imperative to keep from losing too much through further deterioration. The federal manager had undermaintained the road for the more than two years it had been under his control, and since insufficient maintenance will soon demolish a roadbed, this work had to be done as soon as possible.[1]

A start was also made on improving the quality of rolling stock. Four new and powerful "Mikado" locomotives were ordered from the federal government for freight service. Two switch engines were bought, and some of the poorest locomotives were discarded. A small amount of coal-handling equipment was bought, and a larger turntable was installed at New Albany to handle the larger freight engines.[2]

One of the reasons that 1920 showed no more improvement in operations was the fact that Vice-President Hogan was not happy under the new administration. This inevitably led to friction and finally to Mr. Hogan's resignation, which took effect on September 30. Some time elapsed before H. G. Sparks was chosen to succeed him, and it took additional time for the new General Manager to get acquainted with the property and the employees of the GM&N.

As was the case in other activities of the Company, 1921 was the year when GM&N's improvement program really began to show results. More new locomotives were bought, and again the road disposed of the poorest of the old engines. A determined effort to reduce fuel consumption was started, with a 10 per cent cut as the announced objective. Car mileage was increased and close attention

paid to reduction in total of per diem payments for foreign cars. Little improvement was seen in this factor because of the increasing number of bad-order cars being turned back to the GM&N from extended service on foreign roads. On December 16, 1921, the Board of Directors was advised that 42 per cent of all cars the GM&N owned were in bad order. The 1920 *Annual Report* had listed 8.6 per cent of all cars as in bad order on December 31, 1920. Actually, it is somewhat amazing that the year 1921 showed any improvement in operating percentages when the road was faced with such conditions.

Improvements were made, however, and people not directly connected with the line began to see that a new spirit was at work on the GM&N. In March, 1922, the Interstate Commerce Commission agreed to allow the federal treasury to lend almost a million dollars for the primary purpose of rebuilding the road's bad-order cars.[3] By the twenty-first of April, contracts had been let to repair 300 of those 700 bad-order cars at an average cost of approximately $1,000 per car.[4] By April, 1922, the road had also decided to purchase a new, heavier-style locomotive than the Mikados bought previously. Two new decapod engines were ordered, and this was to become the standard freight locomotive for the GM&N for years to come. Succeeding units in later years were to be heavier and more powerful but consistently of the same type. This concentration on one basic design was to pay dividends later in ease and cost of repairs and maintenance along with their increasing efficiency in operation.

During this decade operating employees were expected to study improvements along with their regular work. The *News* of December 30, 1921, carried announcement of the coming of an International Correspondence School's rail study car. It was equipped with models of operating mechanisms, so that classes could be conducted at any point along the road. All employees in train and engine service were required to attend these classes or give a satisfactory explanation for their absence to their supervisor.

Fast, through freight service from Jackson to Mobile was started in May, 1922, and passenger schedules also were improved. Rapid improvement in operating conditions continued up to July 1, 1922. On this date the shop craft unions of the GM&N went out on strike in response to the national strike, and the July operating statistics dropped seriously as a result.[5] Car miles per day dropped from 30.6 in June to 22.4 in July. By August, however, the upward trend had

been resumed, and car miles per day stood at 24.6. Although the strike officially lasted until April, 1923, the GM&N ceased to be seriously affected after October 25, 1922, when a working agreement with the new shop force went into effect.[6] Many of the old shop employees did not strike; some new men were employed as the Railroad Labor Board urged the roads to do; and some of the strikers returned to their jobs. The *News* of September 22, 1922, reported that as of that date the Superintendent of Car Service described operating conditions as "favorable" once more.

One other factor which slowed the improvement of operating conditions in the late summer of 1922 was the death of H. G. Sparks. It was not until November that the Company announced that P. E. Odell, formerly Assistant to the General Superintendent of Transportation for the Illinois Central, had become the new general manager.

In spite of these problems, the road was able to announce that on Sunday, October 15, it would begin to run through passenger trains from Mobile to Jackson. This was the first time in the history of the GM&N that through service had been offered by the Company. As an added service, Pullman cars to operate between Memphis and Mobile via the St. Louis–San Francisco and the GM&N were added to these through trains on December 1.[7] Other evidences of improved operating conditions in this same period included the rearranging of schedules on the Blodgett branch to give better mail and express service to the area.[8]

By the end of 1922 most of the Company's bad-order cars had been repaired or replaced. About 700 new or rebuilt cars out of a total of almost 1,600 were available on February 15, 1923. The locomotive picture had also improved greatly. Four new units had been purchased during 1922, with more to follow.[9] These four, added to the ten previously bought in 1920–21, made a substantial difference in operating conditions.

In March, 1923, the Company announced a change in operating methods to make better use of this improved equipment. Under the direction of Transportation Inspector Glenn Brock, prior classification of freight was to be instituted.[10] In practice this meant that much needless switching would be eliminated, thus saving time and wages. Trains for Jackson, Tennessee, would now be made up at Louisville, Mississippi, and run to the northern terminal of the road without being broken up at New Albany, as was the case previously.

Full train loads to be delivered to the IC would be taken immediately to the interchange tracks, and parts of train loads for the other connections would not have to be altered. Southbound freight would not be affected so greatly because there was little interchange at Mobile other than for port facilities.

During 1923 the campaigns to reduce expenses received added stimulus. Evidence was mounting that employees were responding to the call to improve the operations of the Company, and no effort was spared to keep the good work going. A no-derailment campaign was added to get the maintenance-of-way men into the movement. In this period, too, the road began a determined effort to deliver all interchange freight cars to foreign roads before midnight. Schedules of freight operations were speeded up whenever possible to enable trains to reach interchange points prior to midnight, to reduce per diem paid out, and to increase per diem received on GM&N cars.[11]

Additional evidence of the improvement in equipment and operating conditions appeared in the *News* for February 16, 1923. The average gross train load in January, 1923, was 1,060 tons; whereas in January, 1922, it had been 866 tons. This was an increase of 194 tons, an improvement of almost 25 per cent in this twelve-month period.

The road continued to seek to provide passenger service which would be appreciated enough to be largely self-supporting. A new train to run between Louisville and Meridian was started in June, 1923. It was so scheduled as to allow passengers in that area to shop in Meridian and return the same day.[12]

Fuel conservation was one of the biggest campaigns pushed in 1924. Through the co-operation of the IC, a series of lectures on fuel economy was held throughout the Company.[13] Fuel demonstration teams with demonstration cars traveled the entire road holding meetings at all terminal points. In addition to fuel economy hints, the sessions included motion pictures on freight damage due to rough handling, etc.

The *News*, of course, was not an impartial observer. The following story is frankly complimentary, but its basic facts are of interest nevertheless:

> It has gotten to be the custom that each department on the best Railroad in the world hangs up some new record for the Road at least once a month, and the new record in the transportation department for April was in passenger train performance. One hundred and eighty passenger trains

were operated during the month, and 93 per cent of them maintained their schedule, 92 per cent of them arrived at terminals on time, and, needless to say, departures on time were 100 per cent. These figures were against 76 per cent maintained schedule in March and 74 per cent arrivals at terminal on time.[14]

In an effort further to improve the record of passenger service, the road installed its second gasoline-powered motor car in August, 1924. This unit was put on the Meridian and Memphis running twice daily between Meridian and Union.[15] The first of these units had been installed during 1923 on the Blodgett branch to replace steam trains on that lightly traveled run.

John W. Platten, Chairman of the Board of Directors, made an inspection trip on the GM&N in the fall of 1924. He found many changes which had taken place since his last trip in 1921. His letter of congratulation to Mr. Tigrett and all the employees showed his genuine gratification for all the improvements that had been made.

Jake Haman, who had just become associated with the road in 1921, went along on both trips. The changes along the line so impressed him that he listed the most important in the *News* of October 10, 1924. He said:

Fifteen new locomotives have been put in service since the trip three years ago. Ten of these are those known as the "Russians" and the other five are the pride of the service, the 250 class.

All locals now are operated with 100 class engines. Three years ago these locomotives were all in through service and were considered heavy for the Road.

Three years ago grade revisions between Ripley and Middleton were being contemplated only. Last week the inspection train was operated over as smooth a piece of slag ballasted roadbed between these points as can be found in the South. Mr. Platten's comment was to the effect that it was as good as the Chicago Division of the C.&E.I., inspection of which had just been completed.

Fifty miles of 85 pound steel have replaced 70 pound steel or lighter in the last three years while the best of the 70 pound steel has been relayed, replacing that of lighter weight.

Grade revision, ballast and new steel were marked improvements where a bad piece of track had existed south of Ackerman.

The new shops at Louisville have been built since the trip three years ago and the yards have been enlarged and improved. A new tank has been erected at Louisville and one at Jackson.

New tracks have been laid at Union.

Pike's Peak, marking the most difficult piece of roadbed to keep in condition on the Line, had on a new coat for the inspection. Grade re-

vision work is almost completed; new steel will be laid and the track ballasted.

Terminals at Mobile have been improved; channel has been dug on south side of dock and dock improved.

Steam trains on the Blodgett branch and the Meridian branch have been replaced with motor trains for passenger service since the inspection trip of 1921, and a new steam passenger train is in operation between Laurel and Louisville.

The 250 class engines are being operated through from Louisville to Jackson, a run of 188 miles. This is a haul that represents economy and service, and is something that few railroads have attempted. From 100 to 120 miles is the average run for a locomotive.

Scores of other improvements and betterments worthy of note have been made during the three year period. An exact comparison has not been attempted, it being the editor's desire to picture those outstanding improvements which are most noticeable when comparing the Road as it is today with a mental picture of it three years ago.

Along with all the other campaigns to reduce expenses and improve earnings figures, the Operating Department in 1924 and 1925 began serious work on reducing damage losses. A much better record was made in 1924 than in 1923, as the following table shows:

TABLE 2

DAMAGE CLAIMS PAID BY THE GULF, MOBILE AND NORTHERN DURING 1923 AND 1924

	1924	1923
Injuries to persons	$ 62,400.00	$138,400.00
Damage to property	3,808.00	5,130.00
Clear wrecks	8,700.00	20,600.00
Damage to livestock	15,748.00	23,344.00
Loss and damage--Freight	21,122.00	25,621.00
	$111,778.00	$213,095.00

SOURCE: *GM&N News*, February 13, 1925.

One of the particular areas in which improvement was sought was that of employee accidents and injuries. In an article in the *News* for February 13, 1925, General Manager Odell set forth the Company's safety record for 1924. Within its group among all the nation's railroads, the GM&N stood in tenth place in its percentage of personnel injuries. A definite program to improve this standing for 1925 was begun, and all employees were encouraged to work for a better safety record for their own protection. Although the GM&N did not place first in the safety standings in 1925, this program bore fruit in later years. From 1928 to 1940, the GM&N's

safety record was not equalled by any road in its classification.

Improvement in operating conditions continued throughout 1925. Car miles per car day passed the mark of 35 set as a goal some months earlier. This achievement demanded a new goal, and immediately 40 car miles per day became the objective.[16] Much attention was being given to keeping trains, both passenger and freight, on schedule. A fuel handicap contest was run to choose four crewmen to attend the International Railway Fuel Convention which was held in Chicago in the summer of 1925.

Gross tons per train showed a steady climb upward during these days of constant improvement. In May, 1925, a new peak load of 1,268 tons was hauled.[17] In keeping with this record, the car-miles-per-day goal of 40 miles was also met, thus necessitating a new objective in car miles, as well as gross tons per train.

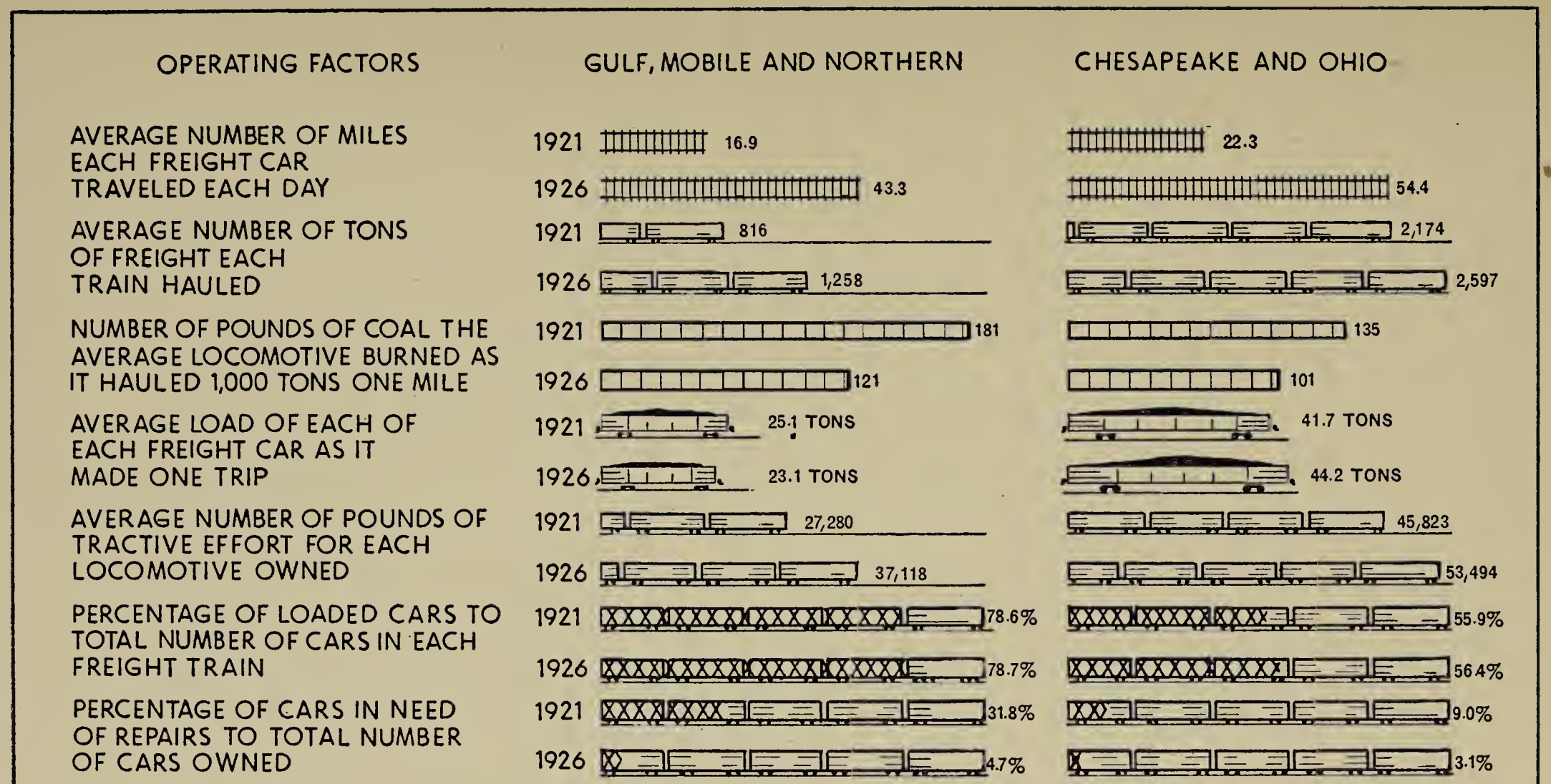
The efforts to reduce the number of derailments and pulled drawbars also showed success during 1925. In the month of July only one derailment took place, and this was on a sidetrack, not on the main line. No drawbars were pulled out during the entire month. The *News* of August 7 said that this was the best record in the history of the road. Previously, at least one minor derailment on the main line had marred every month's performance; June had also been a month in which no pulled drawbars had been reported. As the *News* said, "The fact that some of those engineers handled over a hundred cars on some trips is an indication of the degree of skill and effort put forth in the proper handling of air brakes."

Recognition for the degree of improvement on the GM&N came not only from the executives of the road, but from many outside sources. One of the most noteworthy statements was that of J. E. Roberts, Chairman of the Car Service Division of the American Railway Association. Speaking in New Orleans before the Southeast Shippers Advisory Board he said, "The railroad showing the greatest improvement in factors affecting operating efficiency in the United States during the period of 1920–1925 is the Gulf, Mobile and Northern."[18] These factors were: car mile movement; per cent loaded to total car mileage, train loads; fuel consumption; percentage of bad-order cars to total cars; and average tons to the car. Mr. Roberts also announced that the Chesapeake and Ohio was second in improvement for the same period. The operating record of these two roads from 1921 through 1926 is summarized in Chart I.

There was no slackening of effort toward over-all efficiency after

CHART 1

Comparative Operating Statistics Showing Changes in Operating Efficiency



1925. By that time, however, the GM&N had improved its operating position so much that the rate of improvement was slowed considerably. In the years following 1926, additional records were set, but the effort necessary to reach new levels of efficiency became successively greater. The changes brought about by the extension of service to Paducah, Kentucky, and Jackson, Mississippi, also slowed up the improvement statistics somewhat. Another cause of decline was the shift of freight tonnage from lumber and timber products to other, less weighty items. Tons per car dropped from 25.1 in 1921 to 23.1 in 1926, and the per cent loaded to total number cars in trains increased only 0.1 per cent to 78.7 per cent for 1926, as compared to 78.6 per cent for 1921.

Improvements in general operating conditions continued. The increase in average tractive power, average train load, car miles per car day, and many of the other factors which indicate operating efficiency kept right on upward during the decade, but at a slower rate of climb. Improvement to the roadbed was constant, and grade revisions and improvement of drainage systems were increasingly important projects in the years after 1926. The installation of better ties and heavier rail continued, in an effort to keep pace with the development of longer and longer trains making better time and fewer stops for service.

By 1930 the GM&N did not have the best roadbed in the nation; neither did it have the finest equipment. Few railroads in the country, however, operated their property to better advantage. The GM&N was still a "country" railroad, and its management knew that. No frills were in evidence, but the road was in admirable shape to do its job of hauling more and more freight at lower and lower cost. Unfortunately, the depression stopped the upward climb of tonnage and operating records. The men who had accomplished so much to improve the road in prosperous years were able to find ways to hold their road together in the bitterest days of the depression. As soon as the depression was conquered, the upward trend began again; and the limit in growth has not yet been reached.

CHAPTER · VII

Changes in Traffic, 1920–30

THERE are many factors which influence the success or failure of a railroad company. In the long run, none of these factors is more important than the traffic the road can and does haul. When people cease to ask a railroad to perform transportation services, the reason for the railroad's existence ceases also.

Most of the Class I railroads of the United States in the decade from 1920 to 1930 were rather complacent about their sources of traffic. Many roads sought to attract a greater volume of business to their rails, but few had any fear that their traffic source would dry up. The Gulf, Mobile and Northern, however, lived through most of the decade with the constant reminder that its major source of traffic was declining and probably would almost cease at some not-too-distant date. It may seem paradoxical, but it is probably true, that much of the success of the GM&N can be traced to this very fact. Just as individuals in great peril often accomplish unheard-of feats of strength, so the peril of the GM&N forced it to do the "impossible."

PASSENGER TRAIN SERVICE

It was not by increasing passenger train traffic that the GM&N set its enviable record for development in its early years. The Traffic Department employees of the road worked as hard and as intelligently as they knew how, but passenger business showed an almost constant decline for the whole ten-year period.

At the beginning of the decade the railroads had not yet begun to feel the full effects of the increased use of the private automobile.

This was especially true in rural Mississippi, which had no large cities and almost no all-weather highways in 1920. Population in the territory along the lines of the GM&N was so thin that the road had little passenger business in comparison with its neighbors. For example, the Mobile and Ohio had an average of 46 passengers per train mile in the wartime peak of 1920.[1] The GM&N at the same time had an average of only 34 passengers per train mile. All the Class I roads in the Southern District had an average of 67 passengers per train mile in 1920, and the U.S. average for Class I roads stood at 80 passengers per train mile.

In spite of the fact that 34 passengers per train mile in 1920 was a very low average, the GM&N was to see progressively lower averages as the decade passed. The wartime peak of 34 passengers per train mile dropped to 22 in 1921, where it stayed for three years, and then started downward again in 1924. From that year to 1930 the decline was steady. The average in 1929 was 14 passengers per train mile. In 1930 each GM&N passenger train carried an average of 10 paying passengers for each mile it operated, and the depression was just beginning!

Until the fall of 1922 the GM&N was not in a position to reorganize its admittedly bad passenger train service.[2] In October, a new train schedule which offered through service to Memphis from Mobile was begun. This service was in conjunction with the St. Louis–San Francisco, with New Albany, Mississippi, being the connecting point. In December, Pullman service was instituted on these trains in an effort to offer a superior class of passenger service. Before a year had elapsed, this Pullman experiment was discontinued because the night trains were taken out of service in favor of daytime schedules. When night schedules were resumed, the sleepers went to Jackson, Tennessee, on the GM&N's own lines and the service between New Albany and Memphis was dropped because the volume of business between Mobile and Memphis was not sufficient to sustain the operation.[3] The Mobile-to-Jackson run was not particularly profitable, but the road continued the Pullmans on this run during the rest of the decade. The management felt that the Pullman service was helpful in attracting to the line some shippers who might not otherwise have used it.

Throughout the ten-year period many changes of schedules were made in an effort to bolster passenger revenues. "Day" trains were run between Laurel and Louisville, Mississippi, and later to New

Albany, so that people could go to the towns on shopping trips and return home the same day. Excursions and special trains were run to all major events in the territory. Most, if not all, of the nationally used schemes to attract passenger business were tried by the GM&N. There was a brief spurt in passenger train revenues for the year 1923 which put the passenger service in the black for that year. The last seven years of the decade, however, showed a definite trend downward. Total passenger revenues did increase in 1927 when service to New Orleans via Jackson, Mississippi, was started in conjunction with the New Orleans Great Northern. This total increase in revenues did not mean a change from deficits to profits.

One of the features which the GM&N tried for the purpose of increasing passenger travel was developed by Frank Hicks, who at that time was General Traffic Manager for the road. This was a travel-club plan for passenger ticket sales. It was, in effect, a credit scheme which would allow the taking of long trips on a time payment plan. This project was pushed for a time in 1925, and several connecting roads used it also. Some public attention was called to the road by the plan, but it never caught on nationally and was finally discarded by the sponsoring roads.

Another effort to improve passenger service and to reduce passenger deficits was started in 1923. Steam trains were taken off the Blodgett branch in that year. In their place, a gasoline-powered rail coach was bought and put into service. This unit could serve the area effectively because heavy passenger movement in that region had ceased prior to 1923. The same type of unit was installed in 1924 on the Meridian and Memphis line from Meridian to Union, Mississippi. Since the timber movement in these territories was constantly decreasing, these units were able to handle passengers, mail, and express on a much cheaper basis than had been true with the steam trains of an earlier day. Actually, these gasoline units were later outclassed by the development of heavier and more dependable Diesels, but this experience in the 1920's pointed the way toward much better and less expensive passenger service than that provided by the old-style steam trains.

FREIGHT SERVICE

The GM&N's big task from the traffic standpoint was to show a constantly increasing total for its freight tonnage. This meant that new sources of freight must be found, not only to replace the antici-

pated decline in timber tonnage, but also to show a net increase in total freight. The Traffic Department began to improve its staff of solicitors almost at once. More people were employed for traffic work along the line. In addition, in 1920 the road opened off-line traffic offices in the five big shipping centers of St. Louis, Chicago, Memphis, Detroit, and New Orleans. Two more of these offices were opened in 1921 at Louisville, Kentucky, and Kansas City, Missouri. The road knew that these outside offices would not produce a large increase in business immediately, but a start had to be made toward competition for high-class freight. These offices were staffed with men already experienced in the art of selling railroad transportation. The managers of the Traffic Department were forced to go outside the existing personnel rosters of the company to find men who had the experience, the know-how, and the contacts which a major traffic solicitation office needed. It was at this early date that the GM&N began to spend a larger percentage of its income on traffic solicitation than many railroads felt to be justifiable. The experience of the GM&N seems to indicate that, in some instances at least, such unorthodox procedure is justified.

In addition to building a full-time force of traffic men, the GM&N worked almost as hard to build its other employees into a part-time sales force. Everyone who worked for the road was informed that solicitation was the key to growth. No employee was ignored in the drive to get more traffic. Stores which sold goods to employees found that they were asked to route their goods over the GM&N. Passenger train crew members were encouraged to solicit freight from industrialists, merchants, and salesmen who might travel over the GM&N's lines. Employees were given credit in the *News* for outstanding effort in soliciting business for the road. All of these measures, coupled with the growth of employee morale, brought much favorable attention to the GM&N and produced a substantial volume of business which the road probably could have obtained in no other way.

The sales effort of the professional solicitors and the other employees would not have been nearly so successful without the backing of an aggressive rate section in the Traffic Department. This group also had to be enlarged and reoriented. The men in the rate section in the years that followed were ready and, indeed, eager to meet the needs of potential railroad users with rates and charges that would secure traffic for the GM&N. If the existing rates were unworkable, new rates were often designed. One of the most helpful

rate adjustments of this type was the creation of in-transit rates for rough lumber. All timber-hauling roads for many years had used in-transit rates for hauling logs to the mill. The GM&N pioneered, in its area at least, with a rate which would allow small mills to do the rough sawing and then send this material for further processing at central points. As the timber regions of Mississippi decreased, this maneuver helped keep a number of large mills in operation at important collection centers. One of the results was to keep in operation big mills which could afford to ship by rail. Many of the smaller mills produced so little tonnage that they had turned to trucks to get their lumber to market, thus depriving the railroads of a prime source of traffic.

One of the aspects of GM&N solicitation which proved most helpful was a somewhat unusual procedure. The GM&N sought, and rather successfully, to be given complete control of shipments which originated or terminated on its lines. The shipper was asked not only to let the GM&N haul his merchandise over its lines but to let the GM&N decide which road outside of its territory should handle these shipments. Where this control was given, the GM&N was in a position to bargain with its northern connections. Thus, if the GM&N "gave" the Nashville, Chattanooga and St. Louis ten cars destined for Chicago, the NC&STL was expected to deliver to the GM&N at Jackson, Tennessee, ten cars destined for Mobile or Laurel. This program to control freight became a major principle in GM&N traffic procedure in the years after 1920. It was developed to a high degree of perfection, and its value was to be demonstrated most clearly in 1938 when the GM&N suddenly stopped hauling freight into Paducah, Kentucky. Even the Interstate Commerce Commission was impressed with the ability of the GM&N to direct the transfer of its through freight.[4]

In order to improve its chances of getting competitive freight, the road in May, 1922, began a fast, scheduled, through freight service. Prior to this time, freight moved when trains needed to run, that is, whenever enough loaded cars were available to make up a train. After this date, the GM&N was in a position to promise delivery by a specified time. These freight schedules were set to make connection with the principal interchange lines, the two most important to the GM&N being the Frisco at New Albany, Mississippi, and the IC at Jackson, Tennessee. Both the NC&STL at Jackson, Tennessee, and the Louisville and Nashville at Bells, Tennessee, were important in-

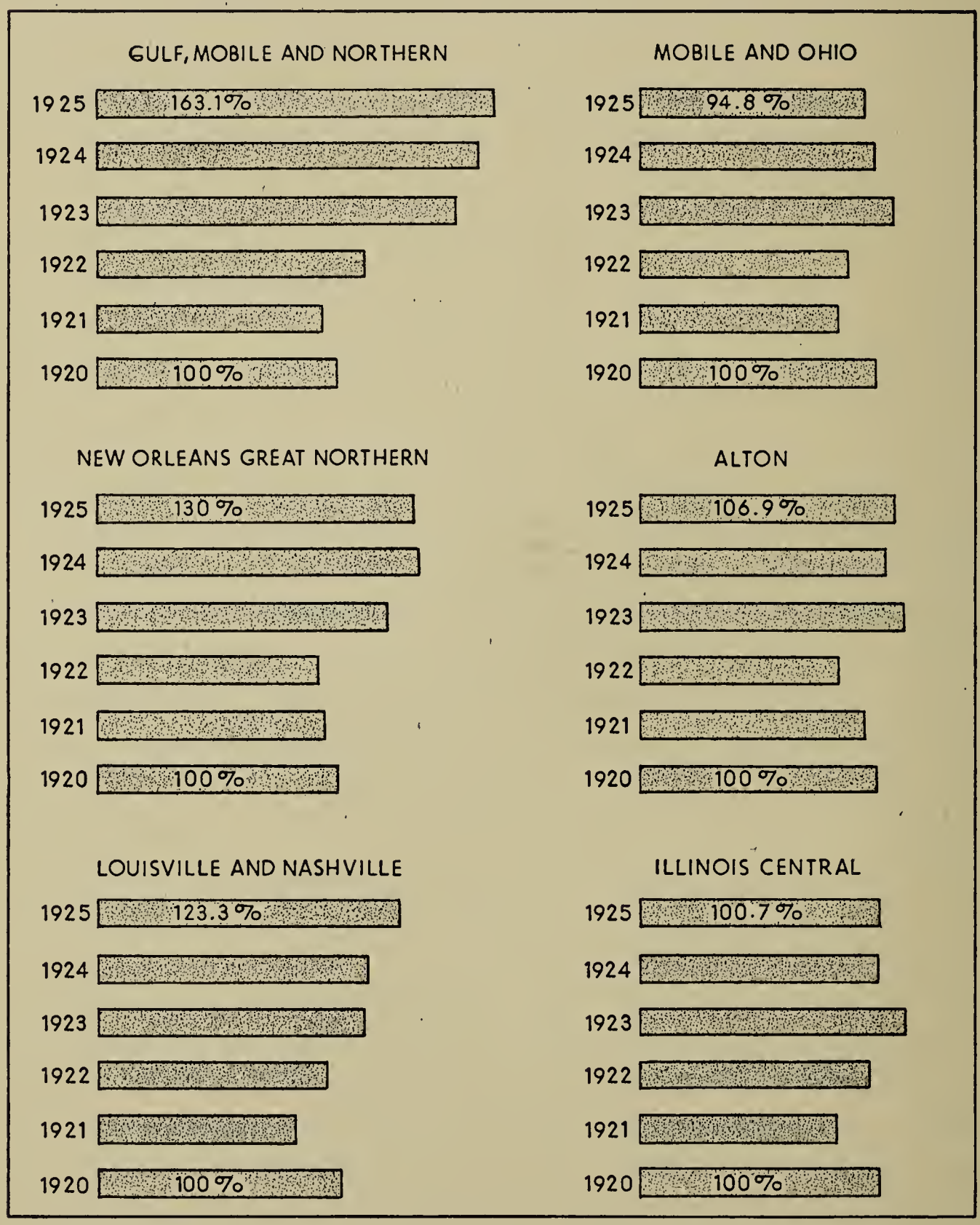
terchange points, but the bulk of the GM&N's tonnage northbound went to the IC at Jackson in this period prior to 1926.

The GM&N's traffic solicitation program coupled with its better service and public relations brought results. In the period 1920–25,

CHART II

CHANGES IN FREIGHT TONNAGE FOR SELECTED CLASS I RAILROADS, 1920–25

(Percentage Chart 1920 = 100 for Each Road)



the GM&N increased its freight from 1,546,000 tons in 1920 to 2,522,000 tons in 1925. This was an increase of 63 per cent in the six-year period. (See Chart II.) The M&O in the same period dropped from 7,199,000 tons in 1920 to 6,824,000 tons in 1925. Figures for the

whole IC system are not comparable to those for the GM&N's operations, but the IC in 1920 hauled 49,233,000 tons and in 1925 had increased to only 49,566,000 tons, or 100.7 per cent of 1920.

Along with the increases in tonnage, certain shifts in emphasis were taking place. Less-than-carload freight dropped from 84,000 tons in 1920, or 4.7 per cent of the yearly total, to 68,000 tons in 1925, which was 2.7 per cent.[5] The truck apparently was making its competition felt even in this early period.

Other changes in the major classes of traffic were quite noticeable. During the six-year period, forest products declined as a percentage of the total from 63.1 per cent in 1920 to 57.4 per cent in 1925. At the same time, forest-product tonnage had increased from a total of 975,000 tons in 1920 to 1,448,000 tons in 1925. Agricultural products in 1920 provided 125,000 tons, which constituted 8.1 per cent of the total. In 1925, agricultural products had increased to 300,000 tons and made up 11.9 per cent of the total tonnage. Products of animals, 12,000 tons in 1920, dropped to 9,000 in 1925, and the per cent of total dropped from 0.8 to 0.4. Manufactures showed both a positive tonnage and a percentage increase. In 1920, 166,000 tons were classed as manufacturing or miscellaneous, which was 10.7 per cent of total tons hauled. In 1925 the figures stood at 456,000 tons, or 18.1 per cent of the total.

Other evidences of the changing pattern of traffic tonnage were also apparent in the 1920–25 period. In 1920 the GM&N originated 71 per cent of all its freight. In 1925 it originated only 61 per cent, which indicates that much of the added business was coming from interchange connections. Another index of change is the fact that average haul for 1920 was 140 miles, but by 1924 it had increased to 174 miles. This average slumped in 1925 to 166, but it went back to 173 in 1926 and kept climbing until traffic conditions changed in 1932, with the inclusion of New Orleans Great Northern mileage in the totals.

The pattern of freight traffic changed sharply with the changes of lines which took place in 1926–27. Originated business dropped steadily: 58 per cent in 1926; 55 per cent in 1927; and by 1930, 40 per cent. This last figure obviously was caused in part by the slump in building after the 1929 stock-market collapse, for GM&N tonnage in 1929 was 47.5 per cent originated. Products of forests dropped from 52.4 per cent in 1926 to 33.8 per cent in 1930. The actual tonnage also dropped, from 1,337,000 to 932,000.

Products of mines and manufactures increased actually and in per cent of total in 1930 over 1926. Fortunately for the GM&N, these two items more than offset the loss in forest products, and total tonnage did not collapse as fast as its former mainstay of lumber and timber; however, total tonnage fell from a high of 3,243,000 tons in 1928 to the 2,759,000 figure for 1930 and was to touch a much lower figure in 1932 before improvement began again.

Under the circumstances, it is useless at this point to conjecture what would have happened if the GM&N had not made its connections with the Chicago, Burlington and Quincy at Paducah and the New Orleans Great Northern at Jackson, Mississippi, in 1926–27. Certainly the GM&N's forest tonnage would have declined, but the road might somehow have held together on the traffic which would have remained. At any rate, the changes were made and the road continued its development program after a lapse during the worst of the depression years.

CHAPTER · VIII

Corporate and Financial Record, 1920-30

In Chapter I the statement was made that the greatest task which the Gulf, Mobile and Northern faced in 1920 was to find enough cash to put the road into a reasonable operating condition. Through the forebearance of its creditors and with much help from the federal government, the Company managed to survive this very difficult year.

When private control began in March, the road already owed $408,000 in short-term obligations.[1] These notes were owed to three Eastern banks which were controlled by various members of the Board of Directors. Although these loans might be extended under stress of circumstances, there was little possibility of increasing them. Nor, as has been noted previously, were the banks in the Mobile area at all anxious to make loans to the road, although one small bank had indicated its willingness to assist the line in its rebuilding process.

The Congress of the United States realized that many of the "weak" railroads would be in a precarious position during the period of transition from government control back to private operation. For this reason, the government, in Section 209 of the Transportation Act of 1920, undertook to guarantee the net railway operating income of all carriers who chose to accept certain governmental restrictions which were designed to discourage the more prosperous roads from accepting this aid. There apparently was no question in anyone's mind as to what the GM&N would do. It accepted almost immediately the government's guarantee and went to work to rebuild its lines as rapidly as its resources would permit.[2]

Section 210 of the same act provided that the government would, in addition, make loans to railroads for capital improvements, if certain requirements were met. The Secretary of the Treasury was ordered to set up a revolving fund from which railroads could borrow for improvement projects specifically approved by the Interstate Commerce Commission. In May, 1920, the Board of Directors authorized Mr. Tigrett to seek a $1,850,000 loan to be used to buy new equipment and further to improve the roadbed.[3] This turned out to be too ambitious a program for the Interstate Commerce Commission to approve at that time, but the GM&N was able to borrow $515,000 from the U.S. Treasury under this plan in 1920.[4] In 1922 the Company was further authorized to borrow more than $900,000 for the purpose of rebuilding its freight car fleet and for other capital expenditures.[5]

The money obtained in 1920 was used to continue the work on roadbed and equipment improvement. A sum of $206,050 was allocated to repairing existing freight cars of various types, $98,700 was to be used in partial payment for four "Mikado" type freight engines, and $15,000 went toward the purchase of two more switch engines. The allocation for improvement of existing locomotive equipment was $51,000. Ballast for the Jackson extension was allocated $72,000, and $23,000 was to be spent to build an interlocking switch system with the Illinois Central at Jackson, Tennessee. Two locomotive cranes were to be bought at a cost of $17,500, as well as a new ditching machine for roadbed maintenance, which was to cost $12,500. The final $20,000 was to be spent on new rail for various weak spots along the line.[6]

The GM&N had to put up heavy security for this government loan, which was to run for 15 years at 6 per cent interest. This rate seems high to us now, but at the same time the GM&N was paying 7 per cent on its short-term notes which were held by private lending institutions.

The GM&N settled its account with the Director General of Railroads on September 23, 1920.[7] The road owed the United States Railroad Administration $100,000 at this date. Fortunately for the Company, the Director General agreed to allow the GM&N to fund this $100,000 and also allowed the road to borrow $380,000 in addition. This total amount of $480,000 was to bear 6 per cent interest and was payable March 1, 1930. The funds which the Company received under this arrangement were to be used for the completion

of construction work on the Jackson extension and the Blodgett branch. Both of these projects had been approved by the U.S. Railroad Administration during federal control, and the agency felt obligated to help the Company finish the work since the government had authorized the expenditures under wartime conditions.

These government loans during the year were in addition to the $528,000 which the road received under the provisions of the federal guaranty for operations from March 1 to September 1.[8] It is clear that the GM&N would have been in dire straits indeed without these funds. The railroads of the country had a strong case when they said that many of their difficulties in 1920 could be traced to government operation during the war period; the GM&N, however, has to give credit to the government for its chance to stay alive after the road was returned to private hands in 1920.

During the summer of 1920, the GM&N bought twenty-six of the twenty-seven $1,000 bonds of the Mobile, Jackson, and Kansas City which were still outstanding. The one remaining bond could not be bought, but the road arranged to deposit $1,300 with the trustee under the Mobile, Jackson, and Kansas City mortgage.[9] Since all obligations under this mortgage were thus satisfied, the mortgage was removed from record. This move was in preparation for the execution of a new GM&N first mortgage which the road had originally planned to issue when the Company began doing business in January, 1917. The road finally executed this mortgage on October 1, 1920, and under it issued $4,000,000 in 6 per cent Series A gold bonds.[10] The Interstate Commerce Commission refused to allow the sale of these bonds at this time, but it did authorize the road to use them as collateral for loans, and $1,030,000 were pledged as collateral for the $515,000 loan from the U.S. Treasury. The unused bonds, $2,970,000 in amount, were held in the treasury of the Company at the close of the year.

Although the GM&N did not stabilize its financial problems entirely in 1920, it did accomplish much in the 10 months of private control. One strong bit of evidence testifying to this fact was the ability of the road to borrow from Mobile banks in the first months of 1921. When Mr. Tigrett reported on financial affairs to the Board meeting on June 17, he stated that the road owed $170,000 to Mobile banks, $408,000 to the same three Eastern banks and $995,000 to the federal government.

There was little change in the capital structure of the GM&N

during 1921. Mr. Tigrett was able to report to the Board on November 18, however, that the cash position of the Company had shown improvement. In spite of this fact, the Company still held its loans at the $1,573,000 level.

The improvements which had been made earlier to both the roadbed and equipment had begun to be reflected in the better financial condition of the road. Much work still needed to be done to put the road in safe and profitable operating condition. As more and more of the GM&N's freight cars were returned from "foreign" roads, it was seen that many of these cars were no longer in shape to be used. The GM&N was also faced with the maturing of its notes which were held by private banking institutions. In order to care for these needs and to continue work on the roadbed, the Interstate Commerce Commission in March, 1922, approved a further loan to the GM&N, in the amount of $918,500.[11] Terms for this loan were similar to those on which the earlier federal loan had been granted. The GM&N was authorized to use $264,000 of the total to pay half of all its private loans. A total of $354,500 was allocated to additions and betterments to equipment. Most of this was to be spent on the bad-order freight cars. The $300,000 remaining was to be spent on improvements to roadway and structures. Fortunately for the GM&N, the Interstate Commerce Commission had become impressed with the improvements in the over-all operation and attitude of the road. By this time the commission was eager to encourage the GM&N and to assist its further development.

The confidence of the Interstate Commerce Commission in the GM&N's ability to improve was well founded. At a Board meeting on September 22, 1922, Mr. Tigrett was able to report that all bank loans had been repaid. The Company no longer had any short-term loans outstanding. The road was not yet prosperous, except in a relative sense, but at least it had reached a point where its existence was partially secure. It was no longer necessary to renew its past-due notes "for 90 days" in an effort to prevent bankruptcy.

The GM&N was to borrow money many times in later years but has never had to return to the hand-to-mouth existence of these years before 1922. The management has been very careful to watch its cash requirements closely and somehow to live within its resources, if not within its income, at all times.

The GM&N paid its first dividend on preferred stock on November 15, 1923. Those former bondholders who had become stock-

holders in 1917 had been forced to wait for seven long years without any income from their investment. By September, 1923, however, the road appeared to have overcome its worst difficulties, and the future looked much brighter than the past. It must have been a happy occasion when the Board voted this first small dividend, which was only 1 per cent on the preferred stock of the road.[12]

After this beginning, the GM&N was able to pay dividends of varying amounts each year for the rest of the decade. The road always remained in arrears on its 6 per cent annual payments to the preferred stockholders; so, obviously, the holders of common stock were paid nothing during the whole ten years from 1920 to 1930. The Company was able to pay a full 6 per cent dividend on the preferred stock for several of these ten years, and it also made some payments on the dividends in arrears, but the decade ended with an accumulated unpaid total of 19½ per cent still due.

If dividends paid on stocks of the Company were the only evidence of corporate strength, then the GM&N would not appear very strong in the years before 1930. Another indication of corporate worth which is of great importance in financial circles is the value placed on a company's stocks in the securities markets of the country. GM&N stocks showed substantial increases during the decade of 1920 to 1930. Trust certificates representing GM&N preferred stock sold in 1921 at a high point of 26 on the New York Stock Exchange and touched a low of 15 in that same year.[13] In 1927, GM&N preferred reached a high point of 112¼ before it turned down. The low point for this year was a record 105. By 1930, months after the initial stock-market crash in 1929, GM&N preferred had dropped considerably, but its high for the year was 98¼. Its low point for the same year was 55⅜.

GM&N common stock prices ranged substantially below the preferred, but in 1927 the common stock of the road reached a high of 76⅝, with no dividends ever having been paid on it. Obviously, the people who traded on the stock market felt that the GM&N had shown substantial development. A more complete comparison of the movement of GM&N stock prices can be made from the material in Table 3, page 106.

By the end of 1924, the GM&N's financial affairs were in such good shape that the management felt justified in asking the Interstate Commerce Commission to allow it to put some of its bonds on the market. At a Board meeting on March 20, 1925, it was announced

that Kuhn, Loeb and Company had agreed to buy $4,000,000 of GM&N's first mortgage Series B, 5½ per cent 25-year bonds at 96¾. This sale had been approved by the Interstate Commerce Commission, and these Series B bonds were to replace the Series A, 6 per cent bonds which the Company had been using as collateral for its various short- and long-term loans. These loans were to be paid from the proceeds of the sale, and the rest of the funds received would be

TABLE 3

COMPARATIVE RECORD OF STOCK PRICES OF THE GULF, MOBILE AND NORTHERN AND THE DOW-JONES RAIL AVERAGE

	PREFERRED STOCK		COMMON STOCK		DOW JONES	
	Low Point	High Point	Low Point	High Point	Low	High
1920	18 1/8	35 3/4	7	17 1/2	67.8	85.4
1921	15	26	4 3/4	11 1/2	65.5	77.6
1922	16	47	5	19	73.4	94.0
1923	44 7/8	62 3/4	9 1/2	20	76.8	90.6
1924	50	99	11 3/4	29 1/2	80.2	99.5
1925	89 1/4	109 1/4	23	36 3/8	93.0	112.9
1926	95	109 1/2	25 1/8	41 1/4	102.4	123.3
1927	105	112 1/4	35 1/8	76 5/8	119.3	144.8
1928	99	109	43	61 7/8	132.6	152.7
1929	70	103	18	59	127.4	190.5
1930	55 3/8	98 1/4	10 1/8	46 1/2	89.5	158.4

SOURCE: GM&N figures from *Moody's*. Dow-Jones Rail Average from *The Dow-Jones Averages* (13th ed., New York: Barron's Publishing Company, 1948).

held in the Company treasury for the purpose of making further improvements to the road.

The next issue of GM&N bonds was put on the market in the early months of 1927.[14] Again, Kuhn, Loeb and Company agreed to buy, this time at 97¼ plus accrued interest. These bonds, totaling $3,500,000, also were issued under the general mortgage of 1920. They were Series C bonds due 1950 with an interest rate of 5 per cent instead of the 5½ per cent on the bonds sold in 1924. Funds from this issue were to be used to complete the work on the Jackson and Eastern line from Union to Jackson, Mississippi, and to reimburse the treasury for money already spent on capital improvements.

In the years following 1927, the GM&N continued to make additions to its capital account, but no more bonds were sold to the public until 1930. No new expansion was contemplated at this time. The management, however, felt it would be wise to replenish its treasury for capital improvements already made. The Interstate Commerce Commission gave its approval, and the road sold $3,000,000 more of its 5 per cent bonds to Kuhn, Loeb and Company at

97.[15] From the funds thus obtained, the GM&N paid its current indebtedness of $750,000 and put the rest of the money in special interest-bearing accounts. It could not accurately be said that at this date the GM&N's management foresaw the full extent of the approaching depression; it is safe to assume, however, that the banking experience of several members of the GM&N's top management, coupled with the difficulty of acquiring new funds in the early 1920's, made the road very conscious of the value of an adequate treasury reserve. It can be said without any fear of contradiction that the funds obtained in this bond sale were very, very welcome in the years which followed!

The GM&N bought up a few shares of its preferred stock and some of its bonds during the decade 1920–30. Whenever the Company heard of its securities' being sold at exceptionally low levels, it tried to return these securities to its treasury. The only appreciable stock transaction which the road conducted, however, was concluded at the end of the decade. In the fall of 1929, the GM&N decided that it was necessary to acquire stock control of the New Orleans Great Northern. ICC approval was secured for a plan to exchange 1 share of GM&N common stock for 2¾ shares of NOGN common. The New Orleans Great Northern had no preferred stock. The plan called for the New Orleans Great Northern to continue as a separate corporation, but the GM&N's top management was to assume complete control of New Orleans Great Northern operations.[16]

By February 14, 1930, almost 92 per cent of New Orleans Great Northern stock had been exchanged for GM&N stock. The GM&N began to assume control immediately, and soon thereafter the New Orleans Great Northern ceased to exist as an operating entity. It became the Louisiana Division of the GM&N. The exchange agreement was kept open, and eventually the GM&N acquired more than 95 per cent of the total shares of New Orleans Great Northern. This transaction added slightly more than 25,400 shares of common to the GM&N's capital structure. Since the GM&N had about 225,600 shares of stock outstanding prior to this arrangement, the exchange plan gave the former stockholders of the New Orleans Great Northern a little more than a 10 per cent stock interest in the GM&N. As the New Orleans Great Northern was forced soon after this to go into receivership, costing the GM&N its stockholdings, some might assume that this transaction was not a wise move on the part of the

management of the GM&N. In the light of subsequent events, it does seem apparent that by 1932 the GM&N might have been able to secure control of New Orleans Great Northern without the stock exchange plan of 1929–30, but few of us could have foreseen the depths to which the depression was to force our economy. The management of the GM&N knew that the New Orleans line which the New Orleans Great Northern owned was vital to the well-being of the GM&N's Chicago, Burlington and Quincy relationship, and an exchange plan such as the one offered seemed quite reasonable to GM&N stockholders in 1929. If the New Orleans Great Northern had been blessed with a bonded debt structure similar to that of the GM&N, then the New Orleans Great Northern would not have been forced into receivership and the trade would still seem quite reasonable.

CHAPTER · IX

Other Railroads Interested in the Gulf, Mobile and Northern, 1920–30

It is axiomatic that major railroad systems strive to reach as many important transportation centers as possible. Deep-water seaports have always been considered among the best termini which railroads could possess, since the rails thus have access to waterborne commerce. Because of this fact, the Gulf Mobile and Northern, with its southern anchor at Mobile, has always had an attraction for several rail systems. Although the Company was in such shape financially in 1920 that no outside road seemed to be interested in saving it, this condition changed as soon as a measure of prosperity returned to the line.

The Illinois Central began to show its interest in the GM&N soon after the GM&N's Jackson extension was opened for service in 1919. Not only did the GM&N serve the port of Mobile, but it also served a section of Mississippi which the IC could not easily serve over its existing lines. For these reasons, the IC was willing to help the GM&N in several ways. The GM&N received its best offer of rate divisions from the IC, in the years from 1920 to 1925.[1] This was especially true for lumber moving to northern markets. As a result, during the early years of the 1920's, most of the GM&N's northbound traffic moved over the IC north of Jackson, Tennessee. The IC also gave the GM&N the benefit of low rates for coal shipped over the IC from the Kentucky coal fields. This exchange worked very well for both lines: the IC thus secured the haul beyond Jackson of the

GM&N's lumber, and the GM&N secured the south-end haul on IC coal.

When H. G. Sparks died in 1922, it was to the IC that Mr. Tigrett turned for his new operations chief. When P. E. Odell came to the Company, he brought a number of assistants with him. These men rapidly became important elements in the GM&N's operations. Such contacts, of course, strengthened the friendly ties between the two roads. Soon the GM&N was buzzing with rumors that the IC was planning to buy the smaller road. In 1923 such talk apparently reached a climax. Mr. Tigrett reported that he knew of no plan for such action. Before the attendant gossip quieted down and the employees again turned their minds back to improving the GM&N, Mr. Tigrett's statement had to be given wide publicity in the newspapers of the region.[2]

The close operating and traffic ties between the two lines continued, however. As has been mentioned earlier, when the GM&N went into its fuel conservation program, the IC loaned its technical experts to help teach better operations to the men of the smaller line. The GM&N availed itself of IC specialists on safety programs. In several instances, the *GM&N News* commented on the fine work which the IC safety engineers were accomplishing in GM&N territory.

For reasons best known to its own management, the IC never did exert itself to acquire control of the GM&N, although it did proceed, in the early years of the 1920's, to buy control of both the Gulf and Ship Island and the Alabama and Vicksburg, two other small lines which operated in Mississippi.

When, in 1926, the GM&N announced its intention to seek access to New Orleans by way of Jackson, Mississippi, the friendship of the IC for the smaller road ceased at once. After this date, the two roads became bitter rivals in their quest for additional traffic, even though the IC still thought of the GM&N as an upstart log line which had no place in through freight movement except at the consent of the IC.[3]

Under the circumstances, it was only natural for this change in relationship to take place. The IC had long looked upon itself as the principal mover of New Orleans freight, east of the Mississippi River. Moreover, prior to the entry of the GM&N into the growing city of Jackson, Mississippi, the IC had no competition in that area. When the GM&N invaded both Jackson, Mississippi, and New Or-

leans through its arrangements with the New Orleans Great Northern, the IC looked upon this action as an affront and an injustice.

The GM&N, of course, had long known that it had to secure new tonnage from some source to offset its timber losses. The managers of the Company knew that nothing could have suited their needs better than to open up a new territory and at the same time reach New Orleans under conditions which would cause the Chicago, Burlington and Quincy to make a reciprocal traffic agreement for north-south traffic.

The interest of the Burlington in the GM&N dates from the time such a reciprocal agreement was reached. Its cause was the desire of the Burlington to see a friendly road soliciting freight in the central Gulf ports. Much of the Burlington's Midwest freight moved to one of the southern ports. Any increase in this movement of freight either north or south would help the revenues of the line into Paducah which the Burlington owned. Since both the Burlington and the GM&N had everything to gain and not much to lose, this tie-up was a very natural development.

In order to be in a position to know what the GM&N was planning to do, the Burlington decided to start buying an interest in GM&N stock. There was no apparent intent during the decade of the 20's for this interest to be increased to control of the GM&N. Perhaps the main reason for this restraint, however, was the fact that GM&N stock was not selling at depressed levels in the years between 1926 and 1929. The Burlington may have felt that acquisition of the GM&N would have been too costly at that time.

The only other major railroad which had a direct monetary interest in the GM&N between 1920 and 1930 was the St. Louis–San Francisco. This road had begun stock purchases in the old Mobile, Jackson, and Kansas City in 1906.[4] A few years later, it owned about 56 per cent of the stock of New Orleans, Mobile and Chicago. In 1911, it had sold one-half of its interest to the Louisville and Nashville, and for a short period these two companies dominated the operations of the smaller line. As all New Orleans, Mobile and Chicago stock was wiped out in the reorganization of 1915–16, the Frisco lost its investment and its control. This financial loss, however, had not ended the Frisco's desire to gain access to one or both of the Gulf ports of Mobile and New Orleans. As a result, in 1929 the Frisco once more began to buy stock in the GM&N.[5] Its purchases were not sufficiently large to get representation for the Frisco on the GM&N's

Board, and the advent of the depression effectively blocked further Frisco buying after about 10 per cent of the GM&N's stock had been secured. Actually, the Frisco had never openly acknowledged its purchases, which had been made by a broker. In the years following 1930, this activity by the Frisco was to be strongly condemned by the Interstate Commerce Commission because most of the directors of the Frisco had been unaware that the stock was being bought. Finally, a lawsuit was resorted to in an effort to see if the Frisco or the broker actually owned the stock. After much litigation, the stock did pass to the control of the Frisco, which still held it in 1952.

In spite of these evidences of stock ownership by other roads, the GM&N charted its own course in the years before 1930. The Directors were always free to choose the course which they felt was to the best interest of the GM&N. This does not mean that the GM&N acted without regard to the wishes and interests of other roads. For instance, only the Company's great need for more revenue would have caused it to anger the IC by "invading" its territory in 1926. Its desire to stay alive was greater than its desire to live peacefully with its neighbors. Again, the GM&N was quite ready, and even eager, to do anything reasonable which the Burlington felt might improve the traffic for either line. The same situation was true with the New Orleans Great Northern, which was a vital link in the three-way agreement which connected New Orleans with Chicago and the Midwest. None of these roads, however, had representation on the Board of Directors of the GM&N, and the road was truly a free agent during the decade.

PART · II

Expand or Expire

1931=1940

CHAPTER · X

The Worst Depression Years, 1931-33

1931

By January 1, 1931, there was no doubt as to the seriousness of the depression for the Gulf, Mobile and Northern. The tonnage hauled had declined throughout the months of 1930, and revenues had suffered an even sharper drop. Many employees had been laid off as the number of trains decreased and as maintenance was sharply curtailed in the latter half of the year.

Since there were no large-scale organized plans in 1930 to help the unemployed, many of these employees suddenly found themselves without work and without a source of assistance. At the close of 1930 the GM&N announced a plan designed to help those former employees who were in dire need. All employees who made more than $25 per month were asked to contribute 1 per cent of their pay checks for the months of January, February, and March, 1931.[1] These payments were to be put into a fund to help the most needy of the employees who had been laid off. Any employee who knew of a serious case was to report his information to the company so that a central committee could check the needs of each family and act accordingly.

There was widespread participation in the plan. The Company, assured that the program would be favorably received, made advances to certain families before Christmas of 1930 and thus enabled many of its furloughed employees to have a much happier holiday season than would have been possible without this aid. Before the end of the third month, the road announced that enough money was

on hand to care for the most needy cases, and contributions were stopped. Permanent records were kept, however, of all who contributed and all who received assistance so that all contributors could examine the records of this transaction.

The management was intent on other methods of reducing expenses besides laying off employees. In January, 1931, the Board of Directors authorized the Company to consolidate its off-line traffic solicitation offices with those of the Chicago, Burlington and Quincy.[2] The savings in rent and other expenses were expected to be about $25,000 per year under this plan. Normally, it would not have been considered "good business" to close out the GM&N's own offices, but in this instance economy had to be the deciding factor. This was one of the first of many similar measures the road would adopt to hold down expenses. Survival of the company was much more important than maintaining appearances which did not add greatly to efficiency.

The work of developing the new terminal yard facilities in New Orleans went ahead in spite of the decline in traffic volume.[3] The GM&N and the New Orleans Great Northern had previously used the freight yards of the New Orleans and Northeastern under contract agreements, just as they used the NO&NE tracks from Slidell, Louisiana, into New Orleans. Constantly increasing costs in these yards, however, finally forced the GM&N to consider other arrangements. A 210-acre tract of land lying alongside the New Orleans Industrial Canal was purchased in 1930, and the GM&N began to build its own yard facilities.

Work on the New Orleans yard was being done by the Gulf, Mobile and Northern Railroad Company of Louisiana, a subsidiary of the GM&N created for this purpose. It was well known by the management that the New Orleans Great Northern was very weak financially. In fact, in April, 1931, the GM&N was forced to lend $185,000 to pay interest on New Orleans Great Northern bonds.[4] For this reason, it was decided not to run the risk of tying up these new yards in any reorganization of the New Orleans Great Northern that might become necessary. A report to the Board of Directors of the GM&N on June 2, 1931, indicated that up to this date $511,000 had been spent on this project, and that it would take approximately $100,000 more to complete the new yard.

Development work was also going ahead at Choctaw Point in Mobile.[5] There the GM&N was building a new 540-foot pier, and at

the same time filling some 50 acres of swampy land which was to be made available for industrial use. The pier was being built so that ships could be docked at both sides, with rail lines available on each side for the full length of the pier. Depth of water was to be 30 feet at low tide so that these slips could serve any vessel which could enter the Mobile harbor area.

By the early part of 1931, stock and bond prices had declined greatly throughout the entire economy. GM&N securities had gone down approximately in proportion to all the rest, and, as a result, stock control could have been purchased at a very low figure.

An example of stock prices in this general period is seen from the experience of the St. Louis–San Francisco. Between November 21, 1929, and April 22, 1930, the Frisco bought 25,000 shares of GM&N common stock at an average price of $38.04.[6] This, of course, turned out to be a much higher price than would have been necessary later. At no time during 1931 did the common stock go above 27¼, and it hit a low point of 3½. Prices for 1932 proved to be lower still, with a high of 10 and a low of 2 for the entire year.[7]

Since 1926 the Burlington also had been interested in control of the GM&N, in order to gain access to the Gulf ports served by the line. By January, 1931, it had become the largest single stockholder of the GM&N but did not have a majority of the stock.

At a meeting of the Board of Directors on March 26, 1931, Mr. Tigrett asked the Directors to express themselves on the question of Burlington control of the GM&N. A majority voted in favor of the Burlington's acquiring control of the GM&N on "fair and equitable terms." These terms were not outlined, but apparently those present understood this to mean purchase of all available shares on a similar basis rather than only a 51 per cent working control.

On October 15, 1931, E. P. Bracken, executive vice-president of the Burlington, became a member of the Board of the GM&N, and on January 21, 1932, Ralph Budd, president of the Burlington, was elected both to the Board of Directors and to the Executive Committee of the GM&N.[8] In the fall of 1932, H. E. Warren, the GM&N's Purchasing Agent, became assistant purchasing agent of the Burlington.[9] This relationship continued until the pressure of business forced a separation. However, the GM&N never lost Mr. Warren's services. He is now Vice-President in Charge of Purchasing for the Gulf, Mobile and Ohio.

The Burlington never did move much closer to control than its

position in 1931, and the policy of the GM&N never became entirely subordinate to that of the Burlington. Actually, the traffic policies of the two roads had been co-ordinated since 1926 and continued in this manner until the Mobile and Ohio merger came close to completion in 1938. Since the merger in 1940, the Burlington has been the largest single stockholder in the GM&O, but there has been no move toward direct or indirect control in that whole period, nor have any Burlington men been on the GM&O's Boards since that merger.

The early months of 1931 disclosed further declines in the traffic volume of the GM&N. It became apparent that the road could not remain solvent long if its reserves were continuously drained. The management continued planning, in every way possible, to live with the new situation while hoping for a turn in the downward trend. The President began to hold sessions with the employees of the road and to advise them of the worsening situation. He explained that the road was not earning interest and taxes, two items which, after payroll and other operation expenses, are essential to any solvent business. He appealed to the employees to try to get additional business and to save in every possible way. If these efforts failed, he stated that the next step would be either a reduction of wages or a further reduction in working force, neither of which he wanted to see happen. His concluding remarks for one of these talks, as reported by the *GM&N News* of May 1, 1931, was reminiscent of his earlier comments to the GM&N family in the trying times of the early twenties. He said: "Each of you is a partner with me and with the others in the operation of this railroad. You have a stake in its future. We must see it through and I believe I can count on you to see it through with me. With your sacrificial effort we have gone through trying times in the past. We are going in some way to come through this one."

While the management of the road was preparing for a possible further decline in business and earnings, it was also trying to do all in its power to reverse this trend. In the same May 1 issue of the *News* which told of Mr. Tigrett's meetings with the employees, the company announced several changes in operation and service policies. New freight schedules between Chicago and Mobile and New Orleans were announced, which reduced the fast freight time between these points by 12 hours or more. These schedules, which went into effect on April 26, put the time between Chicago and New Orleans–Mobile at approximately 53 hours for the entire trip.

In conjunction with these changes in freight schedules, the passenger service was rearranged also. Schedules were shortened or otherwise changed in an effort to suit the traveling public better. Coach fares between all Mississippi points were reduced from 3.6 cents to 2 cents per mile.[10] This reduction in basic fares was not to interfere in any way with the still lower rates made for excursions on special occasions.

The road advertised these passenger changes widely, taking the opportunity to state the need of the GM&N for additional revenues and to incite interest in more passenger travel.

Another effort made to bulwark the sagging business of the road was a change in rates on bulk cotton. This new rate, to take effect June 15, 1931, was a direct challenge to the growing trucking industry, which had been moving more and more of the cotton crop of Mississippi and western Tennessee to the various compress points.

Inevitably, in this period of rapidly falling volume and revenues, the railroads turned more of their attention to the subsidies which their competitors, the truckers, the waterways, and the airlines received. Mississippi was in the midst of building a road system which was allowing more and more use of trucks and busses. The GM&N naturally could not see any justice in the policy of allowing more trucks to receive licenses to take still more business from the suffering railroads. The Company and many of its employees joined in an effort to get as much public support as possible for this position of the railroad.

Because conditions got worse instead of better, Mr. Tigrett was forced to announce in July that the Company had requested all officers and employees to take a voluntary 10 per cent cut in wages for July, August, and September.[11] Approximately 75 per cent of all employees agreed to this plan, but the four organizations of the enginemen and trainmen did not act prior to the beginning of this program. A number of individual enginemen and trainmen, however, volunteered to join the plan.

Conditions such as most businesses faced in 1931 unquestionably were discouraging to the men responsible for the success of those businesses. Since the GM&N was considered a "weak" railroad in prosperous times, it would be doubly susceptible in times of depression. In spite of its weakness, however, those in control of the GM&N's affairs were anxious to continue their efforts to provide transportation service to its area. This desire is very clearly exempli-

fied in a speech which Mr. Tigrett delivered to the Young Men's Business Club of New Orleans. His Topic was "Discouragement and the Glory of Going On." Speaking of the GM&N, he said:

> I think it might be said that on the Gulf, Mobile and Northern Lines our normal state is poverty. . . . However, we expect the Gulf, Mobile and Northern Lines to continue to meet their obligations, both to their creditors and to the communities which depend upon them for transportation. We who run this railroad have not particularly cherished strength or wealth. We have, however, sought the esteem and confidence of the public. We are hoping that its development will not only be of present value but will make easier the future growth of our part of the Southland.[12]

On October 1, the *News* announced that conditions had not improved, and the 10 per cent salary reduction plan was continued for October, November, and December. This did not mean, however, that the road was in such bad shape it did not expect to recover. The GM&N was still "going on" as best it could. For example, on October 15, 1931, the Board of Directors authorized the management to purchase $10,000 worth of preferred stock of the Waterman Steamship Company. This firm was being organized in Mobile and, if successful, presumably would produce a large tonnage for the GM&N at its home port of Mobile. The Waterman firm, of course, has been very successful and is today one of the nation's great ocean shipping firms. Its operations have been highly beneficial to the GM&N–GM&O as well as to the city and port of Mobile.

Another relatively bright spot at this Board meeting was the report that the New Orleans Great Northern had been able to repay most of the $185,000 which the GM&N had loaned it earlier to meet interest payments.

Just at a time when it seemed that the railroads in general and the GM&N in particular could stand no more shocks, the Federal Barge Lines announced a series of proposed rate reductions for movement of baled and compressed cotton. These rates were to be from port to port, and were so tailored that a large majority of the cotton crop would move to the Mississippi River ports, such as Memphis, Helena, and Vicksburg. To add to the railroads' distress, these rates were designed so that cotton would move almost completely by truck to these ports, then by river barge to New Orleans for export. Under this program the railroads would be driven almost completely from the cotton haul. As soon as possible after the an-

Above: Arrival of first train at Paducah inaugurating through freight service via GM&N-CB&Q in 1926. *Below:* Chairman John W. Platten, Secretary Brown, Mr. Tigrett, and others on an inspection trip of the road in 1924.







Top: Connecting GM&N and NOGN at Jackson, Mississippi, in 1927. *Right:* Nebraska potatoes were introduced to southern growers via a GM&N (GM&O) special train. *Bottom:* Special excursion operated in an effort to stimulate passenger business.



nouncement, Mr. Tigrett called a meeting of Southern railroad executives to protest this action of the government-owned barge line. When the roads were unable to change the minds of the managers of the barge lines, they decided to name a committee to appeal to the Interstate Commerce Commission and to President Hoover in Washington.

Shortly after the railroad representatives, Mr. Tigrett, President Baldwin of the Missouri Pacific, and President Couch of the Louisiana and Arkansas, held their Washington conferences, the Federal Barge Lines announced the suspension of the proposed rates. Later the War Department held a conference in Memphis, Tennessee, to hear the testimony of all parties concerned.[13] On October 24, 1931, the last day of the hearing, Mr. Tigrett summed up the case for the railroads. He made a strong appeal for justice to the railroads and for unified action to prevent further tearing down of the financial structure so that confidence could be restored. He pleaded for a positive policy which would help all groups, instead of each group's trying to gain some personal advantage for itself. His speech closed with these words:

> There may be times when we can afford to disregard each other's right and welfare, but in this troublous period when men and women have become weary with want, or have seen their dependencies for old age swept away, or have had their daily bread placed in jeopardy, those who represent the large industrial activities of the Nation should lend courage and cheer to the hearts of the unfortunate by uniting in a program which, instead of demoralizing, will bring us gradually back to stabilization.[14]

As a result of the combined pressure of all the interested railroads, the War Department later announced that the new rate had been withdrawn in the interest of harmony and fair play.

Further evidence of the GM&N's changing traffic policy was the announcement that, beginning November 2, a daily package car service would be established, operating between St. Louis and Jackson, Mississippi. This car was to operate over the Frisco from St. Louis to New Albany, Mississippi, and thence down to Jackson, Mississippi, and on to points as far south as Bogalusa, Louisiana. L.C.L. shipments via this route would in this manner be delivered 12–24 hours faster than previously.

One more example of the search for better and less costly operations began in the fall of 1931. The road stopped using train service to make local L.C.L. deliveries between Mobile and McLain, Missis-

sippi. Instead, a car containing all L.C.L. freight for this area was dropped by the night train.[15] In the morning, trucks would make deliveries anywhere along this 62-mile stretch of sparsely populated country. This innovation speeded up the train service to other points and gave better delivery to the area in question. This was one of the earliest examples of the GM&N's shift to the use of highways when cheaper service was thus possible.

Not to be outdone by the Freight Traffic Department, the General Passenger Agent announced in December that new and spectacularly low excursion fares would be offered to Mobile when the historic frigate "Constitution" came to Mobile in January, 1932.[16] The lowness of these rates is evidenced by the $3.00 charge for the round trip to Mobile from Jackson, Tennessee, a distance of 409 miles. The GM&N may not have made much money from this excursion, but the 3,300 people who made the journey, many of them school children, had a memorable trip. This gesture also helped to focus the attention of the public on the road at a time when the need for attention and help was desperate.

In 1931, for the first time, the GM&N had a net deficit. In 1920 its income had been less than $16,000, but this was net income. In spite of every economy the company was able to effectuate, the GM&N was $227,000 "in the red" at the end of 1931.[17] The deficit, of course, would have been much worse if it had not been for the nearly $100,000 which employees had returned to the company under the 10 per cent salary reduction plan. Begun in July, this system of voluntary deductions still was not sufficient to overcome the reduced volume of freight and passenger traffic.

1932

This state of affairs definitely was not a part of the pattern the management of 1920 had planned for the GM&N. It was such a shock to Mr. Tigrett that he made a complete analysis of the year's operations and presented a written report to the January, 1932, meeting of the Board of Directors. He reported on every major issue still unsettled and gave an account of the progress made during the year.[18]

The New Orleans terminal facilities, known as Canal Yard, were to go into operation on February 1, 1932, and a new contract had been made with the Southern Railway for use of the NO&NE tracks into New Orleans.

The banking situation was discussed in some detail, and the management's policy in this matter was set before the Board. At that time, the GM&N had $36,780 in closed banks. In spite of this loss, the road had acted in the manner of a good citizen rather than as a depositor with no interest in its territory. The following is typical of this section of the report: "We have refused in some cases to draw out funds when we knew the banks were in a precarious situation. We even deposited $10,000 in one bank while a run was in progress." (This was subsequently withdrawn).

Mr. Tigrett advised that it seemed apparent that the New Orleans Great Northern could not continue as presently bonded. The general impression was that approximately 40 per cent or 50 per cent of present indebtedness should be cut in some manner. In this connection the Board was advised that the Burlington was not interested in leasing the New Orleans Great Northern until this change in bonded debt had been made.

The Board decided at this same meeting, on the recommendation of the management, that the GM&N would not join in the request by most of the nation's railroads for wage reductions in 1932. Again, as in 1922, the management felt that the GM&N constituted a special case and that national averages should not decide its wage scale.

It is possible that Mr. Tigrett had gone to this Board Meeting feeling that his administration might be criticized for the road's poor showing. When he left he should have had no such feeling, for the Board passed a very favorable resolution thanking him for his report. The statement said: "*Resolved,* That the members of this Board accept the report made by the President with deep appreciation for the time and effort spent in furnishing the Directors with such complete information."

Because there appeared to be no end to the decline in business, the management announced that beginning January 1, 1932, wages of all personnel belonging to the operating brotherhoods would be reduced.[19] This order was felt to be necessary because this group had not joined in the voluntary wage reduction plan.

These organizations opposed the cuts in their pay scale and finally the case was brought before an agent of the Federal Board of Mediation for settlement.[20] Mr. Tigrett stated the case for management at a meeting of the conferees on February 8. Excerpts from his statement follow:

Today another crisis is overshadowing us, and the public, the employees and the Railroad are entitled to the fullest information concerning the situation.

. . . . . .

You may have the thought that a receivership would be of no disadvantage to you. The Management suggests that, before reaching a conclusion in that regard, you give serious consideration to the results which would come about. This Railroad started out as a lumber line. If receivership comes it will almost certainly go back to the equivalent of a lumber line with no lumber to haul. . . .

. . . . . .

Throughout the six months' period during which about eighty-five per cent contributed ten per cent to the Company it was well known that the Management did not expect to permit these loyal employees to be penalized. . . .

. . . . . .

At the present time the tonnage which is chiefly responsible for maintaining this Railroad is being secured largely through the efforts of our traffic organization. Since last July that organization has taken a cut in wages, and at the same time has made the ten per cent contribution.

The case was suspended on February 16, 1932, with the employees receiving a 10 per cent cut from January 1 to May 1, pending reopening of the case soon after the latter date.

In addition to cutting wages during the early months of 1932, the Company started several other moves to safeguard its dwindling cash assets. The road began plans to borrow $770,000 from the Reconstruction Finance Corporation. At the same time, a loan of $550,000 was to be sought from the Railroad Credit Corporation.[21] The New Orleans Great Northern was also to apply for a $200,000 loan so that it could repay the GM&N for sums already borrowed and not repaid.

The policy of cutting back expenses continued. On February 28 the GM&N discontinued several of its passenger trains.[22] According to ICC accounting procedures, the GM&N lost, over its own tracks and those of the New Orleans Great Northern, more than a million dollars on its passenger services. Not all of this was out-of-pocket loss, but the passenger service out-of-pocket deficit was greater than the total net deficit for 1931. Because of this, the GM&N was authorized by the Mississippi Public Service Commission to take off those trains which seemed least popular with the traveling public.

It was estimated that under this policy the GM&N would save $90,000 annually and that the New Orleans Great Northern would save $40,000.

In conjunction with these changes in passenger train service the GM&N announced that it had organized the Gulf, Mobile and Northern Transport Company for the purpose of engaging in transportation over the highways.[23] Its first bus operation was to be between Middleton, Tennessee, and New Albany, Mississippi. This service was designed to take the place of two daily trains which had formerly operated between those two points. In addition to bus service, the plan was to extend truck service in order to supplement the regular freight train service of the road.

Neither reduction in service nor discussion of wage rates seemed to interfere with the safe operation of the road. Again in 1931, the GM&N, with only five reportable accidents, was winner of the National Safety Council award in Group E with the lowest employee casualty rate of any of the twenty-three roads in this group. The National Safety Council had the following to say in its annual report:

> Its rate of 1.27 for the year indicates an approximate reduction of ninety-six per cent as compared with its rate of 30.89 for the year 1923.
>
> The Gulf, Mobile and Northern ranked third among the present Group E contestants for the year 1927, and stepped up into first place in 1928, winning its first trophy in the Railroad Employees' National Safety Contest. It is interesting to note that this road has led Group E for the past four years.
>
> The Gulf, Mobile and Northern total casualty rate for the year 1923 was exactly equal to the average of all Class I roads, while for the year 1931 its rate is 83 per cent below the average of all Class I roads.[24]

The 10 per cent reduction in wages which the operating brotherhoods received in January, 1932, for the first 5 months of the year was extended throughout the year. On May 1 all officers of the Company received another 5 per cent reduction.[25] This made a total of 15 per cent for this group. In addition to these cuts, on December 31, 1932, Mr. Tigrett announced in the *News* that an additional 5 per cent cut for most employees would be necessary. Only those employees earning more than $75 a month would receive this new reduction. By this time the effects of the depression had become so widespread that the organized employees did not file a formal protest or go through the trouble of a mediation proceeding.

The New Orleans Great Northern was supposed to make its semi-annual interest payment on its bonds on August 1, 1932. As the date approached, it was obvious that the money was not available from the New Orleans Great Northern operations, and the GM&N was unable to carry the double load. Accordingly, on August 1, the New Orleans Great Northern defaulted on its obligations.[26] This was not an unexpected development, and apparently no one was shocked or very angry at this action. On November 7, 1932, the courts assumed control of the affairs of the New Orleans Great Northern and appointed Mr. Tigrett as receiver.

This action went almost unnoticed, as far as operations of the two roads were concerned. The holders of the New Orleans Great Northern bonds had become reconciled to the need for revision of the fixed obligations of the company. The bonded indebtedness might have been adjusted without the necessity of legal action, but it was decided that a receivership offered the quickest and surest method, and so it was chosen. By the end of 1932 there was little stigma attached to railroad reorganization proceedings.

Another change in operating policy was announced in October, 1932. As fast as the road could arrange it locally, the GM&N was to institute pick-up and delivery service on L.C.L. shipments.[27] The plan was to use local trucks, already in the hauling business, to pick up and deliver for the railroad. Merchandise which moved less than a specified number of miles was to be given this service without an additional charge, which was in effect a cut in rates for relatively short-haul business. A graduated charge up to a maximum of 6 cents per 100 pounds would be placed on this service for longer movements. The full 6-cent charge was to apply to movements of 260 miles or over. Only merchandise moving on class rates would be applicable, thus limiting free hauling to the more competitive items. Primarily, it was a defensive move aimed at holding for the rails or returning to the rails merchandise which had increasingly gone to truck movement.

In December the Passenger Traffic Manager of the GM&N announced that arrangements had been completed to allow joint air and rail service between Mississippi points and the midwestern cities of St. Louis, Kansas City, and Chicago.[28] American Airways flights were available from Jackson, Mississippi, to take the traveler north from that point. Thus, Mobile citizens and those from other towns south of Jackson could ride to Mississippi's capital city via the

GM&N, then go on north in an American Airways plane. From the vantage point of later years, it is doubtful if this plan earned much money for the GM&N or American Airways. However, the incident does show that the GM&N's management was not losing any opportunity to increase business even if it meant co-operating with "subsidized air competition."

Perhaps it is needless to say that the decline in total freight and passenger activity continued throughout 1932. One clear example of this downward trend was the decrease in car miles per car day. In 1931 the average was 44.0 miles, but in 1932 the average had fallen to 37.0 miles per day.[29] Total revenue freight tonnage for both the New Orleans Great Northern and the GM&N dropped from 3,450,000 tons in 1931 to 2,536,000 tons in 1932. Passenger service train revenues for the GM&N dropped from $277,000 in 1931 to $243,000 in 1932. On the New Orleans Great Northern, passenger service train revenue dropped from $191,000 in 1931 to $134,000 in 1932. Freight revenue for the GM&N dropped from $3,785,000 in 1931 to $2,874,000 in 1932, and on the New Orleans Great Northern the decrease was from $2,130,000 in 1931 to $1,507,000 in 1932. Perhaps the clearest way to picture the general decline is to note the change in the operating ratio, which is a comparison of total operating expenses to total operating revenues. In 1931 the GM&N had a high ratio of 82.16 per cent, but in 1932 it had climbed to 88.44 per cent. On the New Orleans Great Northern the change was about the same. In 1931 its operating ratio was 65.26 per cent, while in 1932 it had increased to 70.16 per cent. All roads in the Southern District had an operating ratio in 1931 of 76.38 per cent, but for 1932 this average declined to 74.82 per cent. For the nation's Class I roads, the average in 1931 was 76.91 per cent, and in 1932 it was slightly lower at 76.80 per cent. These averages show quite clearly the extent of the problems the GM&N's management team faced in this most critical year of the depression.

1933

In spite of the decline of business in 1932, or perhaps because of it, another promotional scheme of the passenger traffic department was announced in February, 1933. For a round trip charge of $1.00 per child, the GM&N offered to run excursions from any county on its line to the state capital at Jackson. Like the "Old Ironsides" excursions approximately a year earlier, these trips proved of great

interest to the people of Mississippi. Five special trains were run at weekly intervals, and more than 3,000 school children and adults made the trip.[30] Again, if not highly profitable financially, these excursion trains served admirably to publicize the GM&N and its service policies.

The excursion business was the only part of the GM&N's passenger service which was showing an increase. On March 27, the road further curtailed its passenger train schedules. The night trains which offered Pullman service were discontinued temporarily over the entire line. The night trains had been, since March, 1932, the only through trains from Mobile to Jackson, Tennessee; therefore the day trains still left on the schedule had to be extended again to Jackson, Tennessee from New Albany, Mississippi, and to Mobile from Laurel, Mississippi.

At the time that this very drastic curtailment of passenger operations was begun the Company announced that these changes were of an emergency nature and would be strictly temporary. The night train schedules were to be resumed as soon as financial conditions would permit.[31]

A few days after the night trains were taken off, the road announced that all passenger fares over the entire lines would be 2 cents per mile.[32] This put the interstate business on the same basis as intrastate service for the state of Mississippi, where 2-cent fares had begun almost two years earlier.

The free pick-up and delivery service which the road had planned in late 1932 was started on March 15, 1933. Instead of 190 miles as the limit of free service, 230 miles was selected, with a charge of 10 cents per 100 pounds made for shipments beyond that distance.[33]

The plan apparently worked relatively well, for on May 10 this free pick-up and delivery service zone was extended to 360 miles.

On June 1, 1933, the GM&N announced that it had made arrangements to use the Illinois Central's tracks from Jackson, Tennessee, to Paducah, Kentucky, rather than those of the Nashville, Chattanooga and St. Louis.[34] This change, to become effective June 7, would save about 34 miles over the other route. The GM&N was to continue to use its own equipment and its own crews on this run. The change effected a considerable economy over operations on the more roundabout NC&STL route. It would have been made sooner, except for the fact that the NC&STL contract required a 12-month notice of cancellation before such a change could be made.

On May 22, 1933, the GM&N again received the Bronze Plaque

for the best safety record in Group E for the year 1932.[35] Since the GM&N had won the plaque in 1931, the award for 1932 was made to the GM&N–New Orleans Great Northern combined. Apparently the safety record was inherent in the GM&N operating system: prior to 1930 the New Orleans Great Northern had been far down the list of Class I roads, but it had climbed rapidly after GM&N officials took charge of operations.

Another safety record was established for the GM&N in August, 1933. The road marked the passing of the twentieth year in which no passenger had been killed.[36] This covered the whole life of the GM&N plus three years under the New Orleans, Mobile and Chicago, the predecessor company.

On July 8 the Gulf, Mobile and Northern Transport Company began the operation of bus service between Louisville and Laurel, Mississippi.[37] The thirteen-passenger bus was to run on a schedule reversed from that of the trains. This would tend to offer double service between these two important points.

When the night passenger trains on the GM&N were suspended on March 27, the road had said service would be restored as soon as possible. Keeping this promise, the four night trains were returned to service on September 1. In his newspaper announcement of this action Mr. Tigrett said: "While it is not expected that these trains will pay their way at this time, they are being restored in the hope that better service to the territory served by our line will aid in the national recovery program."[38]

The return of the night passenger trains signaled to the public that the GM&N was getting in better shape financially. This was definitely true, and was the direct result of the upswing in general business following the bank collapse and holiday in March. This upswing, coupled with the economies which had been slowly put into effect over the four-year decline, had meant a real improvement in the net income picture of the GM&N. Mr. Tigrett reported to the Directors on September 13 that if current trends continued for the rest of the year, the road would have a net of approximately $200,000. This estimate did not take into consideration the cost of the night passenger trains which went back into operation September 1, nor other expenses which the road felt able to incur since it was now "in the black" again. As a result of these factors, the actual net income for 1933 was only $75,000, but that was a tremendous improvement over the $543,000 loss in 1932.[39]

Some of the expense which the GM&N incurred in the fall of 1933

was for rebuilding part of the New Orleans Great Northern. In August the Company announced that it had leased for 99 years the property of the New Orleans Great Northern Railway Company. The lease was effective July 1, 1933, and was for all the property formerly owned by the New Orleans Great Northern Railroad Company.[40] The Gulf, Mobile and Northern Railroad Company of Louisiana was sold to the New Orleans Great Northern Railway Company; thus the New Orleans terminal yard was included in this transaction.

On June 29, 1933, the New Orleans Great Northern Railroad Company had been foreclosed, and its property was bought by the new company with the slightly changed name.

One of the terms of the lease of the New Orleans Great Northern called for the GM&N to maintain the property during the life of the lease. In accordance with this provision, the GM&N immediately began to replace the oldest and most worn sections of the 80-pound rail on the New Orleans Great Northern. The plan was to continue this replacement with 90-pound rail over a period of time so that the track standards of the New Orleans Great Northern would become the same as those for the GM&N. From an operating standpoint the New Orleans Great Northern thus passed from the picture, and in its place was the new Louisiana division of the GM&N.

By the end of 1933 it was quite apparent that the GM&N had made substantial progress toward getting its expenses in line with its reduced revenue. Instead of an operating ratio of 88.44 per cent, as was the case in 1932, the road showed an astonishing 68.29 per cent for 1933. A part of this reduction was caused by the inclusion of the New Orleans Great Northern figures from July 1, but this by no means accounted for the full 20 per cent decrease in a 1-year period. What had happened was a cumulation of many actions taken earlier, the effects of which were not felt until 1933. The most outstanding example of this was the switch from the tracks of the NC&STL to those of the IC for the Paducah service. Wage reductions also were in operation for the entire year for the first time. Another factor was the continuing reduction in maintenance expenses. This program was carried so far that it actually weakened the operating standards of the road in some instances. One example of this is the fact that at the end of 1932 the road had 74 per cent of all its ties in track creosoted. By the end of 1933, however, this figure was down to 70 per cent. In the light of later experience, this may

seem false economy, but at the time the solvency of the road was deemed more important. One more factor in the expense reduction program was the retirement of old and expensive equipment. For example, the average tractive effort of GM&N locomotives increased from 42,171 pounds at the close of 1932 to 43,876 pounds at the close of 1933. During this time the GM&N acquired 14 locomotives from the New Orleans Great Northern, which provided a total of 80 units for the combined road; however, 7 of these were retired immediately. The removal of these 7 old units caused the average tractive effort to rise, which in turn allowed for reduced operating expenses.

There is no doubt that the most welcome reason for the GM&N's improved performance record in 1933 was the upturn of business in the second half of the year. The combined roads showed about $180,000 more operating revenue in 1933 than they had in 1932. This, coupled with the net reduction of expenses by almost $560,000, put the line "in the black" for 1933.

CHAPTER · XI

Renewed Efforts toward Growth, 1934–38

1934

THE GULF, MOBILE AND NORTHERN ended the year 1933 so favorably that it gained widespread recognition for its "recovery." Actually, its $75,000 net for 1933 was far below the average for predepression years. From 1922 to 1930 the GM&N had earned an average of $1,000,000 per year and had overmaintained rather than undermaintained its property, as was the case in 1933. The publicity which the road received over its "recovery" naturally caused the employees to think that if prosperity had returned to the Company some, if not all, of their reduced wages should be restored. Mr. Tigrett felt it necessary to forestall a premature request for wage increases in order to prevent the hard feelings which might go with a refusal. For this reason, the *News* of January 2, 1934, carried a full-page message from the President. His remarks are reproduced in Figure 11.

The night trains had been put back on the road in the fall of 1933, but the public acceptance of them was not as great as the Traffic Department expected. In an effort to improve the service and its use, changes in the schedule were announced for March 31, 1934.[1] The night Pullman trains were shifted from the Mobile–Jackson, Tennessee, run to the New Orleans–Jackson, Mississippi, Jackson, Tennessee, side of the road. The gas electric coaches which had run between New Orleans and Jackson, Mississippi, were moved to daylight schedules on the Mobile–Jackson, Tennessee, line. In their place, on the lower part of the old New Orleans Great Northern run, the Company put a motor coach which operated between Bogalusa

Mr. TIGRETT'S WAGE MESSAGE
GM&N News, January 2, 1934

A great deal has been printed recently indicating that much prosperity has come to the Gulf, Mobile and Northern in the year 1933. Unhappily, the actual facts do not bear out the impression which has been made.

In addition to the large loan made by our directors, which is mentioned above, the Company has had to make additional loans during the depression amounting to Nine Hundred Eighty Thousand Dollars ($980,000.00).

Of this, the amount that was borrowed from the Reconstruction Finance Corporation has been paid back. However, that payment did not come out of earnings, but was made possible by the loan procured by the directors in 1930, and we still owe Seven Hundred Thousand Dollars ($700,000.00) of the Nine Hundred Eighty Thousand Dollars ($980,000.00) that has been borrowed since 1930 and which must be repaid from earnings.

The cash, which we secured from these loans and the sacrifices made by security holders would have been of no avail without the sacrifice and cooperative effort on the part of our employees of every rank.

Salaries have been reduced. Taxes and rents have followed the same trend.

Throughout these lean years we have furnished our employees as much work as our financial situation would permit. We have felt an obligation to do this in view of the cooperation that our employees have given.

We have continued some departments which could have been temporarily suspended. We have postponed desirable improvements and have deferred maintenance insofar as safe and efficient operation would permit. We have kept in force our group insurance policy although the cost is a heavy drain upon the company.

We have occasionally asked a young person with no dependents to surrender his or her seniority in favor of those who had families to support. We have in various ways joined in taking care of employees who could not otherwise withstand the depressive current in which they had become engulfed.

We hope to continue this same policy. We hope to be allowed to make the money which we have to spend furnish employment to the greatest number of people.

FIGURE 11

It might be just as well, however, for me to state, plainly and frankly our position. We cannot operate this Railroad with our expenses greater than our revenues, and we are not going to do so.

My long association with the employees of this Railroad convinces me that our method of administration has the approval of those who are informed of the Company's problems and who have a real interest in its continued operation.

FIGURE 11—*Continued*

and New Orleans so that that territory would have daytime service as well as service by the night trains.

The Board of Directors, at its meeting in New York on April 19, recognized the fine and loyal work of F. M. Hicks by making him Executive Vice-President of the road. Mr. Hicks had been Vice-President in charge of Traffic for many years. In effect, he had been Mr. Tigrett's right-hand man as far as finance and traffic were concerned since 1920.

The recovery which the GM&N experienced in the last half of 1933 continued in 1934. At a Board meeting on July 19 the Directors were told that the GM&N had a much better first six months in 1934 than in 1933. In the first half of 1934 the road had an operating deficit of $30,000, compared to the $197,000 deficit in the first half of 1933 and a $310,000 deficit in the first half of 1932. Both freight and passenger earnings were considerably better than in 1933. The road moved almost twice as many cars of perishable fruits and vegetables in 1934 as it did in 1933. Mr. Tigrett made a special point of reporting that the road had finally been able to join in the movement of bananas from the Gulf, and he hoped that this would become a profitable source of income.

Other signs of progress were reported to the Board at this same July meeting. Employee relations were reported to be on a harmonious basis. The Company had satisfactory contracts with every branch of the railroad unions which, in each instance, called for pay scales below the national wage level.

The Board was advised, however, that the road was to be called on for an additional $100,000 per year during the years ahead as its contribution to the railroad pension program recently instituted by the government.

At the same July meeting, the management announced that prep-

arations were being made to rebuild 90 miles of the old New Orleans Great Northern so that the GM&N would be able to meet the schedules of its New Orleans competitors, the Illinois Central, the Louisville and Nashville, and the Southern Railway. Also needed to help in the increased freight business were some 200 new freight cars. About 50 of these were gondola cars, and the Company planned for construction of them in the Mobile shops of the GM&N, while 150 box cars would be purchased from other firms.

Mr. Tigrett closed his report and suggestions to the Board with a request for approval to purchase two new Diesel electric trains for passenger service. He stated that the Public Works Administration was willing to lend money on a 15-year basis to buy this equipment and that the management felt that the lower operating costs of these trains would allow the Company to pay for this equipment before the loan was due. The final section of the request presented the position of the operating management of the GM&N very forcefully. This position was that of the professional manager who was looking at the permanent operation of rail service, rather than the view of the security holder seeking an immediate profit. The report said, in conclusion:

> The future of railroads insofar as can now be seen, offers no occasion for optimism. Yet we are firmly of the opinion that whether or not government ownership is ahead of us, or whether or not there may be a general breakdown of the economic structure of the country, or whether or not brighter and more profitable days are ahead of us, the Gulf, Mobile and Northern is justified in continuing its effort to make both its freight and passenger service as attractive and economical as possible. . . . I am asking the Board this morning to give us authority to borrow this money.

The response of the Board is history. The Diesels were ordered and were placed in service the following year to win new laurels for the GM&N as the first streamliners in the South and to earn a profitable revenue for the road.

Not long after this July meeting of the Board of Directors, the management of the GM&N began to study the advantages and disadvantages of merging with the bankrupt Mobile and Ohio.[2] Since becoming President of the GM&N in 1920, Mr. Tigrett had never forgotten that he was operating a railroad which had to grow into a more important line or go backward. The M&O almost paralleled the GM&N from Mobile to Jackson, Tennessee, but it went on to a ter-

minus at one of the nation's major rail centers at St. Louis. If the GM&N could get into St. Louis, it never need worry again about being squeezed out for lack of connections. For this reason, the main line of the M&O looked most valuable to the smaller, but more aggressive, GM&N.

At a meeting of the Board of Directors in November, the matter of merging with the M&O was discussed, and the Board appointed a committee to explore the possibilities of such action. The committee was instructed to study the proposition and report to the Board for its decision.

The Southern, which was the owner of most of the M&O's first mortgage bonds and owner of most of the now worthless common stock, was not interested in the GM&N purchase.[3] For this reason the idea had to be shelved. However, it never left the minds of the GM&N's managers, and negotiations were to be resumed in 1938 after the Southern had changed its thinking on this matter.

1934 was definitely a year of improvement on the GM&N. Freight tonnage was about 23 per cent higher than in 1933, and revenues were up also. It is true that expenses increased at a faster rate than revenues, but this was caused largely by increases in maintenance costs. A deliberate effort was made to restore the property to former standards wherever possible. One example of this was the statement in the *Annual Report* for 1934 which said that creosoted ties in the track had been increased from 70 per cent at the end of 1933 to 74 per cent at the end of 1934. Another important item was the purchase and construction of new freight cars which the Board had authorized in the middle of the year. The rebuilding of 45 miles of the New Orleans Great Northern lines during the fall of 1934 was also a major improvement in this period.

1935

The GM&N entered 1935 with a determination to continue its forward progress along the recovery trail. The Operating Department announced plans for efficiency campaigns similar to those of the twenties, primarily to save fuel and cut other costs. Glenn Brock, who had been made General Manager in April, 1934, said, "This is more than a fuel campaign. We have to do something to save money. The price of fuel is constantly increasing."[4]

The road went into 1935 with some new passenger and freight equipment on hand and with more new equipment to be delivered

Above: The South's first streamlined train, The Rebel, on exhibition in 1935. *Below:* GM&N (GM&O) was the first railroad to inaugurate train hostess service. Mr. Tigrett and a GM&N engineer with one of the first hostesses in 1935.

Above: Ann Rutledge, great grandniece of the original Ann, christens the new streamliner in 1937. *Below:* A ladies tea room was an innovation of The Alton Limited.



soon. The Traffic Department announced that it would place a railplane in service between Jackson, Mississippi, and Tylertown, Mississippi, on January 6.[5] This was a streamlined motor coach which had been designed for rail service by Stout Engineering Laboratories and the Pullman Company for use on lightly traveled lines. At the same time, a newly scheduled train was to begin operations between New Orleans and Covington, Louisiana. These two schedules were to give intermediate service between New Orleans and Jackson, Mississippi. Since the night trains were to continue operations, this would add service along the Louisiana Division.

By far the biggest event for the GM&N during 1935 was the placing in service of the new streamlined Diesel passenger trains. These trains were scheduled to begin operations before June 1 on the run between Jackson, Tennessee, Jackson, Mississippi, and New Orleans. There was much interest along the road and throughout the territory as to what the new trains would be named. In a speech on April 1 before the Rotary Club of Jackson, Mississippi, Mr. Tigrett announced that the name of each train would be "The Rebel."[6] His address was titled "Our Transportation Plight," but the latter part of his speech, dealing with the name of the new trains, was an inspirational call to attack the ills which beset the nation's railroads, rather than to worry about them. The highlights of this section of his speech are in Figure 12.

Although the new trains were somewhat late in arriving on the GM&N lines, no one seemed to mind. Both units made triumphal tours of various points in their trips from Berwich, Pennsylvania, to the lines of the GM&N. According to official count by the road, 208,-148 people inspected the new trains during these tours.[7] It is no exaggeration to say that this was the biggest publicity opportunity the little GM&N had ever had, and she made the most of it. One of the milder editorial comments on the train is quoted below. It is from the *New Orleans Tribune* of June 28, 1935:

> It is a pleasure to congratulate the Gulf, Mobile and Northern on the arrival in New Orleans of its beautiful Rebel train. We are sure that many New Orleanians who have admired its graceful streamlines, the cleanliness of its oil engines, and the comforts of its air-conditioning and fixtures, feel that they have looked in on a distinct stage of progress in railroading in this territory. Several of our other railways have made progress by air-conditioning their trains. The Gulf, Mobile and Northern gives the city its first ultra-modern passenger flyer of the first class.

"OUR TRANSPORTATION PLIGHT"

After some years of constantly decreasing business and constant dwindling cash reserves, we on the Gulf, Mobile and Northern are attacking. We are rebuilding the oldest part of our railroad. I hope it is the wise thing to do. Men needed the work which is being supplied, and in time we hope to need better tracks.

And we have taken another step which we expect to be a benefit to us and to all of the passenger patrons whom we serve. Before June 1st, when we shall have put into service the streamlined air conditioned trains propelled by Diesel engines, our passenger service will have been completely motorized, which by the way will make the Gulf, Mobile and Northern the first railroad in the United States operating as many as one million railroad passenger train miles per year entirely motorized.

It has been a custom for a long time for trains of this character or trains of some special importance to be named, and our selection of a name has been a matter of much interest to us.

The management of the Gulf, Mobile and Northern Railroad has, for many years been occasionally referred to as radical or rebel-minded. We were, I think, the first railroad in the country to advertise freight service in magazines and newspapers. We were, I am quite sure, the first railroad in the country to reduce passenger train fares, and there have been other steps of ours which were a departure from the conventional course. I have rather grown to like being designated as a rebel. The word implies action.

It is the rebels of the world who have made history, industrial history, political history, patriotic history. I hope, we who are in command, can use this instrument, the Gulf, Mobile and Northern Railroad, relatively small though it may be, toward making the history of this section one of usefulness and progress, and I hope that our new train, The Rebel, will accelerate and make more comfortable the passenger travel on our railroad.

EXCERPTS FROM SPEECH BY MR. TIGRETT
Delivered on April 1, 1935, in Jackson, Mississippi

FIGURE 12

Another feature of The Rebel and its service was the fact that hostesses were employed to serve on these trains.[8] This also was a "first" for rail service. The air lines of the country had for some time used hostesses to make their travelers more comfortable, but the girls who rode on The Rebel were pioneers in this rail venture. In

addition to their services, the mere presence of these hostesses on its trains caused newspapers along the line to devote much space to the girls and to the GM&N, all of which brought welcome publicity to the railroad.

Mr. Tigrett had stated that with the use of the two new Rebels all of the GM&N's passenger service would be motorized. The new units replaced the night trains which had been running between New Orleans and Jackson, Tennessee. The railplane was also serving on the Louisiana Division line from Jackson, Mississippi, to Tylertown. The Mobile-to-Jackson, Tennessee, service had been motorized when the gas electric coaches were switched over from the former New Orleans Great Northern territory. These units had been purchased in 1930 and had proved successful for intermediate service. The GM&N had found by experience that its relatively light passenger traffic could be given better schedules with this new type of equipment. It also learned that the service was more than paying its total out-of-pocket cost, which the old steam trains certainly had not done.

Another significant event for the GM&N took place in 1935. This was not an improvement in service, as the inauguration of the Rebels had been. It was the abandonment of the Blodgett branch from McLain Junction to Piave, Mississippi, a distance of about 25 miles.[9] The line was dismantled with the approval of the Interstate Commerce Commission because all the timber in the area had been cut and there was no hope for future traffic which could justify operation of a rail line. This was the same branch which had been completed in the early 1920's to tap a major source of timber. This record of construction and later abandonment is a clear example of the type of problem which the GM&N faced throughout its life. The entire main line of the road had to find new sources of traffic or face the same dismantling process. Fortunately for the GM&N and its tributary territory, new sources of traffic had been found in time to prevent the collapse of the road.

One of the most spectacular new sources of tonnage during these depression years was a new type of forest product for the South. Pulpwood had long been important in the northern forest areas, but prior to 1930 there had been little use for the more resinous pines of the southern region. By 1935, however, two major uses of pulpwood had been developed in GM&N territory which had created a profitable new industry in the cut-over areas of Mississippi and other pine-growing states.

Kraft paper, used for packaging or for the making of paper boxes, had long been a by-product of some of the major lumber mills in the area. In 1918, for example, the Bogalusa Paper Company was founded by the Great Southern Lumber Company to use the waste from its lumber operation. Later it was found that paper pulp could be made profitably from small pine logs. As the lumber supply decreased, the paper mills began to buy pulpwood to fill the demand for its paper products. Because paper packaging materials were progressively improved and stayed relatively cheap during the depression, more and more paper was substituted for other forms of packaging. Thus the kraft paper industry and its allied packaging industry were able to maintain a relatively good market throughout the depression years.

The other pulpwood user during the depression was the fiberboard industry. Mr. William Mason was largely responsible for the rise of this development, and the important lumbering town of Laurel, Mississippi, was the scene of his early efforts. Mr. Mason also was trying to utilize the waste products from sawmill operations. His efforts, however, were directed toward uses other than papermaking when he exploded wood chips into a mass of cellulose fibers. His experiments showed that these fibers could be pressed into panels while still wet, and that these panels had exceptional strength and durability upon drying. From this beginning, the famed Masonite hardboard and fiber board have become household words and almost household necessities. The plant erected at Laurel to use the wastes of the lumber mills quickly outstripped its supply, and the company had to turn to the small scrub pines found growing all over the cut-over timber lands of the region. By 1935 this was a major source of cash for the farmers and other land owners, as well as being a profitable source of traffic for the railroads of the area. Thus, the forest lands, which had caused the building of much of the GM&N in 1900–10, were instrumental in its recovery from the depression that gripped the whole country in the years after 1930.

1936

The GM&N finished operations for the year 1935 with a net income of $405,000, which compared quite favorably with a loss of $171,000 in 1934.[10] This was good news to everyone connected with the line, but the Company was not yet able to begin to pay dividends on its preferred stock. Neither was it able to pay back all the money

it had borrowed from the Public Works Administration to rebuild much of its Louisiana Division and other sections of the road. For these reasons, the Company management still was not willing to restore all of the pay cuts which had been made in employees' wages during 1931–32. As a result of this decision, a few of the employees began open criticism of the Company. Mr. Tigrett felt that it was necessary to answer the attacks by certain labor spokesmen. He did so in the *News* of January 22, 1936, in a front-page announcement which said in part:

> After an association of more than fifteen years you have become quite intimately acquainted with the management of this Company, and you know whether or not the officials are interested in the welfare of the employees.
>
> This interest has been not only an obligation but a privilege. I think it should be said to you, however, that the management also has other obligations. It has obligations to its patrons in those communities which look to it for continued and improved transportation service. It has obligations to those men and women all over the United States who have invested their savings in the property of this railroad.
>
> To the best of our ability we will meet all of these obligations.
>
> It is disappointing that certain of your representatives choose to disregard the information which has been furnished. However the responsibility is on them and not on us.
>
> For a long time there has existed a satisfactory sort of partnership between our management and employees. Both have been willing to recognize the needs and demands of each other and have worked out their agreements upon this kind of basis. . . .

In the same issue of the *News* the Company announced that it was preparing to discontinue its payments to the employee group insurance plan. This program had been set up on a co-operative basis many years before with both the Company and employees sharing in the cost. Each year the Company had increased its contribution under this plan, until by 1936 the Company was paying a large share of the total cost for both employees and Company. The explanation given for this action was as follows: "The management does not feel that the company should continue to make so large a contribution especially since executives of the labor organizations have indicated a lack of appreciation for this expenditure by us." The Company, however, did propose to assist in developing a new plan for those employees who desired such group insurance. By the latter part of February a new policy with another company had been secured, and 75 per cent of all eligible employees had signed up under this plan.

One of the main reasons that the GM&N had a successful year in 1935 was the fine performance of the Rebels, along with the speedy public acceptance of these new trains.[11] Statistics released in January, 1936, showed that up to December 31 the Rebels had operated at a direct cost of 31.8 cents per train mile. When the cost of 12.6 cents per train mile was added for depreciation and interest, the total out-of-pocket cost was 44.4 cents per train mile. Revenues had been 59 cents per train mile. This left a substantial figure of 14.6 cents per train mile to apply against the former passenger train deficit. This trial period definitely proved the superiority of the Rebels for GM&N passenger service, and it caused the operating managers to think of the possibilities of Diesel operations in freight service.

Among the things which have always been sources of strength for the GM&N in its dealings with its employees has been top management's policy of acknowledging employee accomplishments. The employees individually and collectively knew that they would get recognition for a job well done. A good example of this management attitude is found in the *News* of March 22, 1936. It is reproduced in Figure 13.

The Company's earnings stayed up well during the first part of 1936. Because of this, during the contract renewal discussions which were held in the latter part of the year, all employee and officer wage and salary cuts were restored.[12] As a result of this action, the GM&N was again on a par with other railroads of the country in its wage levels.

The GM&N had long been aware of the losses it was taking in competition with truck service. In a few cases it had begun operating trucks itself as far back as 1930. Finally, in the spring of 1936, the road decided to go into more bus and truck service in conjunction with its rail service. To do this more efficiently, the Company decided to create a subsidiary corporation to own and operate its highway equipment.[13] As a result, Gulf Transport Company, a wholly owned subsidiary of the GM&N was chartered in April, 1936. The railroad Company turned over all its equipment and franchises for highway service to the new company and also subscribed $10,000 in capital stock. In addition to this, the GM&N has always acted as banker whenever Gulf Transport has needed new capital for increasing its operations.

The GM&N did not intend to compete with itself, but to supplement rail service with highway movement where the latter was more

economical. Trucks were to be used for pick-up and delivery on L.C.L. business and on other business where it was too costly for the trains to stop. The idea was to render better over-all transportation service to the territory and at the same time to serve some small communities not on the rail lines.

STATEMENT OF COMMENDATION
GM&N News, March 22, 1936

Since my connection with this railroad I have frequently expressed publicly my pride in the high character and ability of my fellow employees, and this applies to all departments.

The other night some criminal attempted to wreck one of our passenger trains on a trestle. Quick thinking and quick acting on the part of Engineer Jack Hildon was responsible for getting the train over the trestle before it turned over, thereby preventing what would most likely have been a serious disaster.

The finest asset which the Gulf, Mobile and Northern has is its employees, both men and women, who put so much interest and efficiency in their work. Whether they are track men or office workers, whether they are trainmen or traffic solicitors, the same spirit prevails.

I take this occasion to send to them my renewed expression of appreciation.

I. B. Tigrett, *President*

Figure 13

Gulf Transport has continued since 1936 to render this type of service and has grown into a very important arm of the bigger rail Company. This highway service has never been a great money-maker, but it has been self-supporting in the main and has protected rail service in many instances. It was largely because the GM&N thus showed its willingness to serve its entire territory that no community on the GM&N opposed the M&O merger case before the Interstate Commerce Commission in 1939. Some towns suspected that they might lose some of their rail service, but they felt confident that the GM&N would not ignore their basic need for some type of transportation service.

During the first months of 1936 the GM&N seemed to be progressing satisfactorily in its efforts to grow out of its depression-bred

troubles. In one instance, however, a decided shock was in store for the road. On April 16, President L. A. Downs of the IC notified the GM&N that its trackage contract to Paducah from Jackson, Tennessee, would be terminated after April 30 unless IC employees were put on these trains as crewmen.[14] At the same time, the IC advised the GM&N that it was filing notice of ouster proceedings at the close of business on April 29.

The contract in question had been negotiated in 1932 to take effect in 1933. The IC had agreed to allow the GM&N to use its own crews and trains over the IC tracks. This was the same type of provision as had been in the Nashville, Chattanooga and St. Louis contract. The IC signed this contract in spite of the fact that such a contract apparently was prohibited by the road's labor agreements. The IC labor arrangements provided specifically that if the IC made such trackage agreements IC employees should run the trains of other lines using the IC tracks. Both the IC and the Interstate Commerce Commission accepted the contract with the GM&N, however; thus, the GM&N began operations with its own personnel on July 7, 1933, in spite of the opposition of IC labor groups. These labor organizations held an investigation and submitted a report on June 27, 1934, in which they claimed the right to operate the GM&N's trains over the 113 miles of IC line.

In March, 1935, the IC labor organizations submitted the matter to the National Mediation Board. Before the Board could act, however, the unions withdrew their complaint and threatened to strike the entire IC system if their demands were not complied with. After this threat by its employees, the IC turned to the GM&N and advised that the contract would have to be revised or canceled.

The management of the IC obviously knew of its commitments to its own labor groups at the time the contract was signed. Because of this fact, the GM&N expected the IC to arrange its own affairs so that the contract could be complied with. In an effort to enforce its contract, the GM&N filed a bill for specific performance in the United States District Court at Memphis, Tennessee, on April 24, 1936. As a result, the question was before the courts in two suits. Pending settlement, the GM&N continued its operation as usual.

The management of the GM&N, however, was not waiting for the court's decision before it started to develop alternative plans for future operations in case the IC lines were denied to the GM&N. At a Board meeting in June, President Tigrett presented a proposed

plan of merger between the M&O and the GM&N.[15] This merger was management's preferred solution in case the IC trackage agreement was broken by the courts. In September, 1936, the Board of the GM&N agreed to buy the bonds and notes of the M&O if they could be obtained at a substantial discount. Negotiations were begun, but no definite action was taken at this time.

In spite of the conflict over the Paducah trackage agreement, the GM&N found that 1936 was a good year. Business continued to increase, and the Company decided it needed much new equipment. On December 11, 1936, the Interstate Commerce Commission authorized the GM&N to buy 400 new freight cars, 1 new Diesel electric power unit, similar to The Rebel, and 2 new standard steel passenger coaches. At the same time, the Commission authorized the Company to issue $1,440,000 in equipment trust certificates to refund some outstanding issues and to help pay for the new equipment.[16] An indication of the financial strength of the Company was the fact that arrangements had been made to sell these 2.25 per cent certificates at 100.17. This meant that the actual annual cost of this new money was about 2.214 per cent.[17]

1937

In the early days of 1937 the GM&N did some more financing at a favorable price. The Company sold $800,000 3 per cent serial notes at par plus accrued interest. These funds were to be used to repay some 4 per cent notes issued in 1935 for the purpose of paying off the remaining PWA notes.[18] By this transaction, the GM&N not only reduced its interest charges but also freed about $1,400,000 in GM&N and New Orleans Great Northern bonds which had been tied up for collateral purposes.

Most of the new equipment which was ordered in 1936 was put into service during the early part of 1937. In June the Traffic Department announced that the "day trains" which ran between Jackson, Tennessee, and Mobile had been air-conditioned for the passengers' comfort. Also in August, the Traffic Department announced that a new Rebel would begin operations on a shuttle basis between Mobile and Union, Mississippi, as soon as the equipment became available. The plan was to make contact at Union with the older Rebel, thus giving Mobile sleeper service and connections to the North, with the same type of equipment as that found on the New Orleans–Jackson, Mississippi, Jackson, Tennessee, run. This equip-

ment was finally placed in service in January, 1938, and was immediately nicknamed "The Mobile Rebel."[19]

During the latter part of 1936 and the early months of 1937, Gulf Transport Company made a determined drive to secure franchises in territory served by the GM&N. Both Alabama and Tennessee were rather prompt in granting rights to operate trucks along the rail lines of the road. Mississippi, however, was somewhat slower about its action. Since the vast majority of the mileage was to be in Mississippi, this delay held up completion of the plan. The road began a campaign to secure public support in an effort to get favorable action for its policy of rail-highway coordination. Mr. Tigrett and others made numerous public appearances to discuss the matter with the people of the state.[20] The road stressed the fact that it wanted to supplement its rail service and did not want to go into the trucking business for itself alone.

One of the reasons the Mississippi Railroad Commission was slow in granting authority to Gulf Transport was that the IC opposed the project. The IC based its opposition on a supposition that the GM&N intended to "raid" IC territory in an "all-out" battle of freight solicitation. It was felt that the GM&N would send its trucks across country to IC terminals to pick up competitive freight. The GM&N officially stated, however, that it was only asking for permission to operate alongside its own rails or in towns not served by any railroad.

The Mississippi Railroad Commission finally did decide to accede to Gulf Transport's request in June, 1937.[21] The application was granted in its entirety, but it was recognized that service could not be started in many localities until the state's highway construction program should permit safe and dependable operation.

Rail operations of the GM&N continued to get heavier and to improve in efficiency during 1937. The average car miles per day rose to 46.1, and the gross tons per train also continued upward.[22] Coal saving was pushed, as was the safety program. As a result of the latter, the GM&N won its sixth annual safety plaque in 11 years for its 1937 record.

On November 10 the GM&N heard its first court decision on the Paducah trackage case.[23] It was adverse to the GM&N in that the GM&N could not demand its own crews. The IC was ordered to live up to its contract in every other particular. Since there was one more case to be heard, this was not the final decision; however, it

pointed toward a reversal of the GM&N's hopes in the matter. Because of this, more effort was put on studies of alternative operations from Jackson, Tennessee, northward.

Two momentous events took place at the meeting of the Board of Directors held on November 30, 1937. First, a 2½ per cent dividend on the preferred stock was voted. This was the first dividend since 1930 and was hailed by everyone as definite proof of the road's over-all recovery. Investors had learned that the GM&N would not pay dividends unless "its house was in order" first. The other event was the election of two Mobilians to the Board. Mr. J. F. McRae and Mr. H. A. Pharr were the men chosen. For years, Mr. Tigrett had been pressing to get more representation of the GM&N's "home areas" on the Board, and this was a big step in that direction.

The year 1937 proved not to be nearly so profitable for the GM&N as 1936 had been. The road had gone forward, however, in its plans for growth, and if there had not been a general downward turn in business in the latter part of 1937, it would have been considered a very prosperous year.

1938

The decline in business activity, particularly the slump in building, which continued through 1938 had a continuing effect on the revenues of the GM&N. The GM&N was not alone in being affected by this decline. In the spring of 1938 the managers of the Southern finally agreed to serious discussion of the sale of the M&O's first mortgage bonds.[24] Perhaps the "recession" of 1937–38 was a blessing in disguise to the GM&N, because the Southern, still hard pressed for cash, eventually agreed to the sale.

Not all of the members of the Board of the GM&N were willing to rush into a merger plan with the M&O. Ralph Budd, president of the Chicago, Burlington and Quincy, stated that he could not agree immediately to this tentative proposal.[25] He felt that it was in the best interest of the Burlington for the GM&N to continue its operation to Paducah rather than to have its own tracks to St. Louis. If this merger went through, the Burlington would lose the business of the GM&N which it was now getting from Paducah. It was true that the GM&N and the Burlington could connect at East St. Louis, but this new situation would not be nearly so valuable to the Burlington. If the GM&N could reach the St. Louis gateway, it would not need its preferential agreement with the Burlington, for many

rail connections would be available north, east, or west from this second most important rail hub of the United States.

In spite of Mr. Budd's uneasiness, the Board of the GM&N, on Mr. Coverdale's motion, voted to continue its discussion and study of the proposed consolidation. President Tigrett and Vice-President R. F. Brown were designated as GM&N's committee to negotiate with the Southern.

At the same time, Mr. Coverdale's firm of Coverdale and Colpitts was asked to make its own investigation of the proposal and to report on its findings in connection with the merger. The GM&N's own employees had made numerous studies of all phases of the problem, and they were satisfied as to the general accuracy of their position. In a transaction as important as this one, however, it was felt that it would be well to have several authoritative supporters for the proposal. Ever since Mr. Coverdale had made his first analysis for the New Orleans, Mobile and Chicago reorganization committee in 1913, he had been regarded by the GM&N as its final authority on railroad performance; therefore, it was quite natural to turn to his firm at this critical time.

On June 30, 1938, the final decree was rendered in the legal skirmish between the IC and the GM&N over the Paducah trackage agreement.[26] The GM&N was ordered to agree to use IC crewmen or to cease using IC tracks within 20 days. This meant that some decision for continued operations must be reached before July 20.

The GM&N's Board of Directors voted on July 6 to buy the M&O bonds held by the Southern for $7,295,000 if certain conditions could be met. One condition was that the receiver of the M&O agree to an immediate traffic arrangement and division of rates so that the M&O could handle all of the GM&N's business north of Jackson, Tennessee. The other obvious condition was that the merger be agreed upon by the M&O, the Southern, and the Interstate Commerce Commission. The arrangement was for the Southern to give the GM&N an option which would permit the purchase of these bonds as soon as the Commission gave its approval to the GM&N–M&O merger. All the GM&N Board members voted for this proposal except Mr. Budd, who continued his opposition to the entire plan.

The next few days after this Board meeting of July 6 were hectic ones for the management of the GM&N. The deadline of July 20 was very close, and the GM&N had decided that it would not, under

any foreseeable conditions, continue use of IC tracks to Paducah with IC crews manning GM&N trains.

On July 14 Mr. Tigrett made a full report to the Board on the status of the proposed traffic arrangement with the M&O. A proposal which was considered satisfactory to the GM&N operating management had been agreed to by the M&O receiver, by the management of the Southern, and by the Mobile and Ohio Refunding Bond-holders' Protective Committee.

The final report from Coverdale and Colpitts was also presented that day, and it completely supported the findings of the GM&N's own studies.[27] The report stated that approximately $700,000 in expenses of the two current company operations could be saved by the merger. At the same time, revenues would be increased substantially. With this added support, the Directors of the GM&N agreed to execute the traffic agreement with the M&O and to cease using the IC tracks to Paducah. Again Mr. Budd opposed this move, but all the other Directors voted in agreement with the plan.

After this decision on the part of the Board of Directors, the management still had to execute the new agreement and had to obtain approval from the Interstate Commerce Commission for this course. On July 18 the Commission issued a Service Order, which it uses only in emergency cases, authorizing the GM&N to cease operations over the IC to Paducah and to begin diverting its controllable traffic to the M&O at Jackson, Tennessee.[28] The M&O had agreed to put into effect the same rates which the GM&N had formerly offered through Paducah. In keeping with these arrangements, on July 19 the GM&N ceased its freight operations north of Jackson, and, in effect, permanently closed its Paducah gateway.

The agreement worked out very successfully for the GM&N. Its earnings were not adversely affected, because it was able to divert much of its business to the M&O. The greatest losses in the transaction were suffered by the IC and the Burlington. The IC lost its rental receipts, as well as some freight tonnage, and the Burlington lost much of the tonnage it had been hauling from a point parallel to St. Louis down to Paducah. It is to the credit of Mr. Budd and the Burlington management that, although they opposed this shift in the Board meetings, they took no other action to prevent the GM&N from following this course. At this time the Burlington held not quite 30 per cent of all GM&N stock, and about 15 per cent

more would have given them undisputed control of GM&N operations. Any aggressive action by the Burlington would have stopped the merger plan, even though the Interstate Commerce Commission might have refused to let the Burlington completely control GM&N operations. Fortunately for the GM&N, the Burlington did not take this step. Soon after the major decision was made to try to complete the merger, Mr. Budd worked with the other Directors in their efforts to get the GM&N the best deal possible from the Southern and the other holders of M&O securities.[29]

With these fateful decisions and actions the men in control of the affairs of the GM&N closed an era. Either the merger program would go through and the GM&N would become a major part of a strong co-ordinated transportation system, or it would rapidly revert to its precarious days prior to 1926. For this reason, all of the energies of the GM&N's leaders were to be directed primarily toward the successful conclusion of the merger plan. During the next two years, nothing was allowed to come before the tasks connected with the consolidation effort. Many of the ordinary affairs of the road were allowed to coast along so that the maximum effort could be made toward overcoming all the hurdles that were discovered in the path of the merger program.

CHAPTER · XII

Combining the Gulf, Mobile and Northern and the Mobile and Ohio into the Gulf, Mobile and Ohio, 1938-40

1938

THE proposed company which would emerge from the combination of the Mobile and Ohio and the Gulf, Mobile and Northern would be a much stronger road than either of the two roads ever could hope to be alone. By aggressive management, the GM&N had been able to improve wonderfully, but its possibilities for the future were definitely limited. The M&O had been in receivership so long that it was suffering greatly from lack of a co-ordinated development policy. The merger plan offered a quick solution to these and many other problems of the two lines.

According to the Coverdale and Colpitts study, the biggest advantage the new company would have would be its chance to reduce expenses.[1] Under the plan of consolidation, the new company could expect to save approximately $700,000 per year. The report listed seven major areas of savings. These were: (1) elimination of trackage payments from Jackson, Tennessee, to Paducah; (2) elimination of some freight train miles by concentration of through traffic on one route; (3) reduction of maintenance costs by relieving some parts of line of its heaviest traffic; (4) co-ordination of station, yard, and other terminal operations at Mobile, Meridian, and Jackson,

Tennessee; (5) consolidation of traffic departments; (6) consolidation of general office forces; and (7) consolidation of general supervisory forces.

These estimates were based on operating all of the mileage of both companies. It was assumed, however, that certain parts of the new system would be used only for local service. The route most favored for through freight service was the M&O from Mobile to Meridian, Mississippi, and the GM&N from Meridian to Union, Mississippi, then north to Jackson, Tennessee. Beyond Jackson, the M&O line would, of course, be used. This arrangement was preferred because it would allow the New Orleans and Mobile business to be combined north of Union; it would also keep Meridian on the route to and from Mobile. This arrangement would not be obligatory, however, as the operation could go either way with little loss in mileage.

In addition to these savings from reductions in expenses, the new company could expect to add about $800,000 in new revenues. The report predicted that the new company would have a longer haul on a substantial part of its freight tonnage. Some tonnage which was being delivered to the IC at Jackson, Tennessee, could be kept by the merged company and hauled on to St. Louis. Also, some of the business which had gone to the Chicago, Burlington and Quincy at Paducah would now be taken on to St. Louis. Another source of new revenue would be traffic bound for New Orleans which the M&O had formerly hauled to Meridian, Mississippi and there turned over to the New Orleans and Northeastern. Under the new set-up, all freight destined for New Orleans which the new company could control would go south from Jackson, Tennessee, on the old GM&N line to Union and Jackson, Mississippi, then to New Orleans.

The report also discussed the physical properties of the two roads. The M&O line north of the Ohio River had been built as narrow gauge, and it still showed signs of this in 1938. It had sharp curves and steep grades in many places. Correction of these defects had been started in 1927 but was stopped in 1928 with the task far from completed. The worst spot on the entire line was Alto Pass Hill, where the maximum grade was a little over 2 per cent and the maximum curvature was over 8 per cent. The M&O line just south of the Ohio River was exposed to the waters of the Mississippi River, and it was subject to washing at flood stages.

South of Jackson, Tennessee, the M&O was reported to be in

somewhat better condition as to grades and curvature than the GM&N. The M&O line below Meridian was found to be superior in respect to grades and curves to the GM&N line below Union. The best section of the entire line from the standpoint of grade and curvature was the old New Orleans Great Northern below Jackson, Mississippi.

Maintenance on the GM&N lines was superior to that on the M&O, according to the report. Fills were found to be wider, and cuts were wider and better ditched. Timber bridges on the GM&N were of creosoted materials and of solid, deck-type construction. Ballast on the M&O was found to be deficient, but the GM&N was in good condition in this respect.

Ties and tie plates on the GM&N were found to be superior to those on the M&O. The GM&N used treated ties with tie plates almost exclusively; however, the M&O used few treated ties and fewer tie plates. Rail standards on both roads were reported to be similar, with each using 90-pound rail in replacement. The rail on the M&O was older on the average than that on the GM&N because of deferred replacement on the M&O. A suggestion was made that both sections of the proposed company should change to 112-pound rail on any tracks which might be used as main freight lines.

The report found that the new road would be adequately supplied with locomotives, thus eliminating the need to buy new power units at this time. The total number of freight cars was not very far below those needed, but many of the M&O's cars were too short to hold some types of load. The cubic content was too small for best use. It was suggested that the new company should buy 800 box cars, each 40 feet long, and 200 steel hopper coal cars, at the same time salvaging many of the M&O's smaller cars.

The study concluded that it would take approximately $2,000,000 to rebuild the M&O to GM&N operating standards. The final pages of the report contained a statement as to the efficiency of past operations on the M&O. Since this fact was of special importance in reaching a basis of agreement for the merger, this concluding statement is repeated in full:

> It is difficult to know, in the absence of previous inspection, what part of the present condition of the Mobile and Ohio is due to poor original standards and what part attributable to deferment of maintenance in recent years. Our opinion is, however, that if the physical standards prevailing in 1929 had been better, this property could have been maintained

and perhaps have been improved at an annual average maintenance cost no greater than the average expenditure of recent years. The matter of tie renewals is a specific example in support of this reasoning, since it costs only about 25 per cent more to install a treated, tie plated tie, and yet the normal expectancy of life for the treated tie is between twice and three times that of the untreated tie. Likewise, the deficiency in ballast has undoubtedly rendered the labor cost of keeping track in line and surface exceedingly high, as compared with that of a road which has adequate support for its track.

The GM&N had reached, prior to July 14, 1938, an acceptable trading point with the Southern Railway for the M&O first mortgage bonds which the Southern held.[2] A price of about 93 cents on the dollar was offered by the GM&N, and it was accepted. The Southern, by this arrangement, gave an option to sell at the stipulated price. It also agreed to assist the GM&N in its traffic connection with the M&O. The receiver of the M&O was in accord, and the Reconstruction Finance Corporation was ready to pursue the matter further.

The problem of reaching an agreement with the holders of the other M&O securities still remained. Some agreement on a program for these securities was the next essential step in the whole merger effort. Accordingly, Mr. Tigrett and Mr. Brown, as the committee from the Board, proceeded to get in contact with the chairman of the Mobile and Ohio Refunding Bondholders' Protective Committee, Mr. F. W. Ecker, Vice-President of the Metropolitan Life Insurance Company. This committee had been formed to represent holders of all of the M&O bond issues other than the first mortgage bonds, which were held almost entirely by the Southern.

Mr. Ecker and his committee were interested in the GM&N proposal, and they began active study of the problem almost at once. Two experts in railroad financial matters, Mr. J. S. Pyeatt and Mr. E. D. Scruggs, were employed by the committee to examine all of the phases of the merger proposal. After Mr. Pyeatt and Mr. Scruggs had made an extensive trip to Mobile, where they conducted a thorough study, they approved the merger idea.[3] Once this approval was given, it was relatively easy for the two groups to negotiate a tentative agreement to trade.

This preliminary trading proposal was to reduce the face amount of the M&O's bonded debt from about $32,000,000 to about $18,000,000.[4] All M&O bonds except the first mortgage bonds would be reduced about 50 per cent. In addition, all unpaid interest on these

bonds, which by 1939 amounted to about $6,000,000, was to be ignored. The holders of these depreciated M&O bonds were to get about a 50 per cent stock control of the new company as a partial reimbursement for their losses.

The GM&N's Board met again on October 13, 1938, to hear the report of the negotiations with Mr. Ecker's Bondholders' Committee. Since Mr. Budd felt that better terms could be arranged, no action was taken at this time. Mr. Budd was authorized to contact Mr. Ecker personally in an effort to secure lower terms.[5] On October 26, however, Mr. Budd reported that no better terms were available, and the Board of the GM&N formally voted to continue the merger proposal in conformance with the tentative Tigrett-Brown-Ecker agreements. Mr. Coverdale was absent from this meeting, but he sent a telegram to the Board suggesting that the merger program go forward without any further delay. After this meeting, all of the GM&N's energies were directed toward executing the plans then drawn up. Certain revisions were to be made, but there was no further Board discussion concerning the basic objectives for the merger program.

On the basis of this tentative agreement, the Refunding Bondholders' Protective Committee was revised into a Bondholders' Reorganization Committee. The plan of action was to reorganize the M&O through bankruptcy proceedings under Section 77 of the Bankruptcy Act and to merge the reorganized company with the GM&N to form the permanent operating corporation.

Mr. Ecker was made chairman of the reorganization committee, and he was to be actively associated with the whole transaction until it was consummated. He was also to be one of the GM&N's best witnesses for the merger at the hearings of the Interstate Commerce Commission on the proposal.

After getting these steps well under way, the GM&N felt it was finally in a position to seek ICC approval of the merger proposal. On December 27, 1938, formal application was made to the Commission for its permission to complete the transactions which had to be performed in order to create the new Gulf, Mobile and Ohio.

1939

The ICC hearings were set for April, 1939, which seems a long time from the December, 1938, application date. Much remained to be done before the hearings, however, and the GM&N's management

was kept quite busy with the preparation of its case and with other matters which had to be settled.

One of the most vital of these problems was the attitude of the railway brotherhoods toward the merger. After much discussion and study of the proposal, all of the labor organizations decided that their interests demanded that they intervene in the proceedings and oppose the merger. This, of course, would have been a most damaging, if not a fatal, action against the merger. The record does not show whether management had made plans for this eventuality or not. Presumably, it would have been advantageous from a short-run cost standpoint for management to have a free hand in deciding which employees would be kept and which would be dispensed with. It is not at all clear, however, that a policy of wholesale dismissal would have been in the best interests of the company in the long run. In any event, the whole matter was amicably settled in January, long before the hearings got under way.[6] The Company announced that both the GM&N and its potential successor, the GM&O, would henceforth abide by the Washington Job Protection Agreement in handling employees who might lose their jobs under the proposed consolidation. With this action, the company stilled all labor opposition to the proposal.

Certain civic organizations also raised questions about the effects of the merger. Mr. Tigrett and others of the management group tried to answer these questions as soon as they were raised. Mobile was assured that it would not suffer any appreciable loss in employees, and other communities were assured that service would not be curtailed on either of the two parallel main lines. The effect of these assurances can best be measured by the fact that no civic or community groups from any locality opposed the merger before the Commission. In fact it was stated at the hearings and picked up in the ICC decision that "the Public Service Commission of Mississippi approves the plan in principle and the Alabama Public Service Commission states that it is informed that the general public affected by the proposed unification is unanimously in favor of it."[7]

The case for the merger of the GM&N and the M&O into the new GM&O had been well prepared by the time the hearings took place in April. The outcome was so important that everyone connected with the plan was very anxious concerning the outcome. The Illinois Central, two of its subsidiary companies, and a group of minority stockholders of the M&O opposed the plan. The minority stock-

holders had little chance of influencing the proposal because the Southern, the majority stockholder, was getting nothing for its stock and was not seeking any adjustment on that basis.

The opposition of the IC was both real and strenuous, however. Its position was that if the GM&N and the M&O were allowed to merge the IC would suffer losses in revenue which it could not afford. Because the IC could afford no more losses, the merger should not be allowed. In fact, the IC suggested that "someday" the IC would buy up these two lines and merge them into one major system. The IC could not predict, however, when it could or would make any effort to secure these other lines if the current merger plan were prevented. The main points from the IC brief opposing the merger are given in Figure 14.

The arguments for the merger were presented by the GM&N officials and by the representatives of the M&O securities holders. Mr. Tigrett opened the case for the GM&N, but he spoke only of the general events leading up to the merger plan. The basic case for the consolidation was made by Vice-President Frank Hicks. His plea for the unification program is contained, in large measure, in the following statement:

> The Mobile and Ohio traffic is quite similar in character to that of the Gulf, Mobile and Northern especially as to its origin and destination. The combination of the two lines will permit all of the traffic to move together still farther north to East St. Louis and insofar as the traffic to New Orleans is concerned, it will move over one line to that point. The two lines really supplement each other especially in that they together assemble at Jackson, Tennessee, the traffic they will both receive at the Gulf Ports and at Montgomery, Birmingham and Memphis and carry it over the one line to East St. Louis and as to the southbound traffic they will bring it over one line to Jackson, Tennessee, thence over one or both lines to points of destination or for delivery to connecting carriers. The two lines are so located in relation to each other and can so supplement each other in the performance of service that the two operated together could support the two properties with the financial set up proposed and furnish permanent service to the territory dependent upon them whereas, separately operated, handling the same traffic the future of each would be uncertain and as I have said before our conclusion as to the success of the operation of the combined properties does not contemplate the taking away of traffic from any other railroad except to the extent that the movement of traffic may be diverted to give the combined lines their maximum haul. Certainly they are entitled to this.
>
> The unification of these two lines will result in much benefit to the patrons of the lines and in the first place certain shippers will receive the

Excerpts from Brief filed by the Illinois Central in ICC Finance Docket Number 12272, *et al.*

The problem that confronts the Commission today is not so much the preservation of the short and weak lines but the preservation of the great trunk lines upon which the Nation is so largely dependent for transportation service.

The Gulf, Mobile and Northern and its predecessors were originally constructed as local railroads to serve local needs. Its essential place in a national system of rail transportation is that of a local carrier.

The Gulf, Mobile and Northern has long recognized that it must find new sources of traffic to replace its lumber traffic. These new sources can be found only in through traffic moving between the north and the south over the Illinois Central.

A condition of the success of this merger is the diversion from the Illinois Central System of a very substantial volume of freight, resulting in revenue loss to the Illinois Central System of hundreds of thousands of dollars annually.

It cannot possibly be in the public interest to establish a new trunk line between the Gulf ports and the north which must depend for its existence upon the diversion of an ever-increasing volume of traffic from the Illinois Central System, the indispensable artery of rail transportation in the Mississippi Valley Territory.

The Illinois Central System has far greater responsibilities to the public in the Mississippi Valley Territory than the Mobile and Ohio, or the Gulf, Mobile & Northern or both. In passing upon the question of the public interest, these responsibilities and the extent to which the Illinois Central System has met them should be given substantial and controlling weight.

The Illinois Central System has dealt with the Mobile & Ohio and the Gulf, Mobile & Northern as complementary and supplementary to the Illinois Central rather than as strictly competitive railroads.

It will not be in the public interest to change this relationship.

The proposed merger will not result in any shorter routes, in any better service, or in any lower rates and will not create any new traffic.

There presently exist in the Mississippi Valley Territory all the trunk lines and all the competition required in the public interest.

No application for a merger of railroads has ever been presented

Figure 14

to this Commission that failed so completely to meet the test of the public interest as does the present one.

The proposal in essence is to merge these two weak lines into a permanent trunk line. In view of the existing competitive conditions in this territory, there is no need for the creation of a new trunk line between the south and the north. These two lines should remain as feeders to the trunk lines in this territory. The merger if approved will weaken the national system of rail transportation at a time when that system, which still constitutes the only common-carrier system of transportation, ought to be strengthened.

Applicant says in its brief (p. 63) that if a territory has a population and production of traffic and needs for railroad facilities sufficient to support a railroad having proper and reasonable fixed charges, then the public in that territory and the owners of that railroad should be authorized to take the steps necessary to preserve its independence and insure its efficiency. Applicant offered no testimony to show that the local territory served by the Gulf, Mobile and Northern has a population and production of traffic sufficient to support the Gulf, Mobile and Northern. The necessity and usefulness of the Gulf, Mobile and Northern in the general network of the railroads was a factor largely ignored by the applicant in the presentation of its case.

The merger which the applicant here asks the Commission to approve will not promote the public interest. The prime purpose of the merger is to save the Gulf, Mobile and Northern.

The Illinois Central System submits that the proposal is opposed to the public interest in every respect and that the Commission should so find.

FIGURE 14—*Continued*

benefit of single line rates instead of joint line rates under the separate operation. That is of particular importance in the movement of pulpwood and other forest products, an important item of traffic each line handles. The shippers will receive benefits in having a more permanent and more dependable transportation agency available. The towns and communities along both lines will suffer if these railroads are not merged not only in inferior service being provided but they will not be able to attract industries particularly at local points unless assurance can be made to prospective industries that permanent and dependable railroad service will be available. The merger of these two lines should make possible a showing of that sort to industries seeking locations. Uncertainty as to future of the railroad retards the development of the territory dependent upon it. Other forms of transportation may be used extensively but in the eyes of permanent shippers good railroad transportation remains indispensible, and if they cannot find it at one place they will go where they can find it.

No inducements to the establishment of industries are sufficient that do not include adequate, dependable and permanent railroad transportation. This is the case of two relatively weak lines asking authority to combine their operations on a showing that as a combination they can succeed and adequately serve the public. No representative of the public, even in the territory between Jackson, Tennessee, and Mobile, Alabama, which is directly affected, has, as far as we know, voiced any protest or objection to the proposal, but on the other hand as far as we know or have heard the press and the entire public affected is in favor of the unification of these properties.[8]

Of those who testified in behalf of the merger, no man outside of professional railroad circles helped the case more than Mr. Ecker. He presented a strong argument both in his direct testimony and in his cross-examination by Mr. Smith, attorney for the IC. The most important part of Mr. Ecker's direct testimony follows:

The result of this investigation confirmed the views preliminarily expressed by the representatives of the Gulf, Mobile and Northern. In fact, they were somewhat more optimistic than they had originally expressed in my office.

As a consequence, we proceeded from that point to see what type of deal could be worked out between the Gulf, Mobile and Northern on the one hand and the Mobile and Ohio securities holders on the other. The plan which has been submitted at this hearing is the result of those negotiations. . . . We furthermore desired that full publicity be given to the entire subject at the appropriate time, so that it could be considered from all angles. Our one other desire on our part was to bring these negotiations to a conclusion as rapidly as possible so that our Mobile and Ohio security holders might again receive a return on their property. . . . I have applied various tests to satisfy myself that this plan is a reasonable one, a fair one and one that is the most—well it is the best plan that we have been able to work out, . . . in addition to that is reasonable and appropriate as a capital structure.[9]

In his cross-examination by Mr. Smith, Mr. Ecker gave an excellent rebuttal to the arguments against the merger. The more important points in this exchange are repeated in Figure 15.

After all of the oral testimony and arguments had been completed, the lawyers of both sides prepared their briefs for the Commission. Finally, on October 13, 1939, the Commission announced its decision, which was in complete support of the merger plan. The main points in its statement were as follows:

The Gulf, Mobile and Northern parallels the Mobile and Ohio from Mobile to Jackson, Tennessee at distances from 17 to 39 miles.

Excerpts from Testimony of F. W. Ecker in Hearings, ICC Finance Docket Number 12272 *et al.*

Q—(By Mr. Smith) Mr. Ecker, do you think in considering plans for consolidations today some consideration must be given to the oversupply of transportation facilities of all kinds in the country?
A—Well, it would seem to be that consolidation was beneficial along that line, if there is an oversupply, and I wouldn't be surprised that there was, why, that is an advantage of consolidation.
Q—Well, then when you get to the consolidation of particular lines would you give any consideration to the effect of that consolidation upon existing established trunk lines?
A—Well, you mean do I feel that a consolidation of this character is apt to have an important effect on the Illinois Central, or what?
Q—Yes, as a concrete case.
A—Well, of course, it is a little difficult to determine just what the effect will be. In the first place, the principal way in which the Illinois Central has been affected is the rerouting of the Gulf, Mobile and Northern's traffic from Paducah to over the Mobile and Ohio lines, but that is an established fact. The Illinois Central is no longer going to be—I mean that isn't something by which Illinois Central is going to be affected in the future, that's done, and I believe it has been so testified to this morning.
Q—But if this merger fails for one reason or other that would very likely change that situation, wouldn't it?
A—I have been advised that would not both from the Mobile and Ohio standpoint and the Gulf, Mobile and Northern standpoint, we believe that it is our interest to work together and we anticipate doing so.
Q—Even though the merger for any reason or other may not be consumated?
A—Even though the merger is not consummated.
Q—Well, you have got a very substantial interest in the Illinois Central securities, haven't you?
A—That is correct.
Q—About $30,000,000?
A—If you are now speaking of the Metropolitan Life Insurance Company?
Q—Yes, the Metropolitan Life Insurance Company.
A—Yes, a little over $30,000,000.

Figure 15

Q—And then I understand that in working this out, you gave no consideration to the effect of this merger upon the Illinois Central?
A—Mr. Smith, since you have asked me this question I will tell you. The Metropolitan has investments in practically all of the major railroad situations of the country and a large number of the others as well. In other words, we have a very broad stake in this railroad picture. We have long since adopted the policy of considering each situation as it came up on the merits of that particular case. If we endeavored to protect a selfish interest on a certain principle here it would come back to bite us over there, but irrespective of that, that is our policy. Now, it so happens that in this railroad picture there seem to be two schools of thought or managements. One is the school of thought that has been going on for a great many years, namely, to fight everybody else that you come in contact with. The other school of thought is to see what under the present circumstances can two managements do that will be beneficial to both of their roads. It just so happens that Metropolitan favors the second school of thought.
Q—Then your course is a rather opportunist course, that is,—
A—I don't believe it is opportunist for one minute. I think because of our very vital interest in this railroad situation that we are anxious to see them stop fighting each other and get together and work in harmony and work for the interest of strengthening the properties themselves and when you have got a sound industry it's a better condition for labor, it is better for the individuals that live along your lines and it certainly is better for your security holders.
Q—Well, you said you didn't think that we should look too far into the future?
A—I say in these times it is pretty hard to know what the market is going to do tomorrow morning, let alone six months or five years from now. In other words, we may have a war tomorrow or not.
Q—I thought you had reference, Mr. Ecker, to matters other than the market.
A—Well, Mr. Smith, this is a pretty small situation in comparison with the Illinois Central's net earnings that might be affected in this picture at all, it seems to me, but that's a matter of opinion, of course.
Q—Well, you have made a study of the net earnings that the Illinois Central has had left in the past eight or nine years to maintain itself as a solvent corporation, haven't you?
A—We are familiar in our organizations with the reported earnings, yes.
Q—Have you made any intensive study of the competitive situation

FIGURE 15—*Continued*

in the Mississippi Valley for the purpose of developing what the prospects are of railroads in that territory over the next decade or so?

A—I am generally speaking familiar with the competitive situation in the territory but I have made no such study.

EXAM. MOLSTER: Didn't someone suggest that they all be abandoned, Mr. Smith?

MR. SMITH: I think some of them.

Q—(by Mr. Smith) But don't you think, Mr. Ecker, as a sound transportation standpoint more consideration must be given to determining the lines that must be maintained as essential trunk lines and those that are essentially feeder lines to those trunk lines in matters affecting consolidation?

A—Mr. Smith, I would like to see something done. The railroad situation is the only industry in this country which has practically speaking not recovered from the depression. Now, one thing, there are savings involved in these consolidations and if one is brought to me I am exceedingly interested in it. . . .

Q—(by Mr. Smith) Now, Mr. Ecker, on general principles a proposal that might wipe out the net of a corporation that had $700,000,000 in assets might wipe out the net applicable after paying interest? When a proposal like that is presented wouldn't you consider a management would be derelict in its duty to all of its security holders unless it placed the facts before the body that in the end should determine whether that erosion in its revenue should take place?

A—Well, again since you ask, I believe that a management is just as derelict in its duty if it spends money unnecessarily in advocating a case where it can't get anywhere, as if it fails to spend money in something that is really to its benefit.

Q—Don't you think that in looking at the railroad plan over the years and from a broad standpoint and under existing competitive conditions more and more consideration must be given to the question of what lines can be abandoned?

A—I think probably, but a lot of improvement can be had in the railroad situation without actual abandonments by taking advantage of rerouting the through traffic and still giving service to lines that are not the through lines.

FIGURE 15—*Continued*

The record indicates that unification would result in much benefit to the patrons of the lines. . . . This is a case of two relatively weak lines asking authority to combine their operations on a showing that as a combination they can succeed and adequately serve the public. No witnesses representing the Mobile and Ohio, its receivers, or the public appeared at

the hearing. . . . Regardless of the road selected for main-line operation, local territory will continue to receive service as good as or better than at present, through coordination of schedules of local trains with the schedules of through trains.

The Mobile and Ohio in reaching East St. Louis and having connections there with noncompeting lines, is able to make rates on its own account, while the Gulf, Mobile and Northern is compelled to secure the concurrence of competing lines in making of rates. The line in a position to make rates it is contended for the applicants, has a decided advantage in securing and retaining traffic. No additional points would be reached through union of the Mobile and Ohio and the Gulf, Mobile and Northern, nor is any change to be made in existing routes or gateways.

The applicants conclusions as to successful joint operation do not take into account taking traffic away from any other railroad except to the extent that the movement of traffic may be diverted to give the combined lines their maximum haul, including traffic expected to be diverted from the St. Louis, San Francisco at New Albany, the Louisville and Nashville at Bells and the Southern at Middleton. However, the Gulf, Mobile and Ohio would be in a better position to solicit through traffic between the Gulf ports and the north, and its solicitation would be as vigorous as possible.

The record impresses us that, if the applicants are successful in the equity proceedings before the Court, consummation of the proposals presented to us will promote the public interest generally by terminating the long receivership of the Mobile and Ohio and by giving stronger assurance of preservation of essential parts of both systems to the territory which they serve, through operating economies and other benefits which union of the Gulf, Mobile and Northern and the Mobile and Ohio will make possible.[10]

The Commission's decision in favor of the GM&N–M&O merger did not, unfortunately, close the issue. It merely gave the green light to much of the work of the final consolidation. Once the Commission's approval was received, it was possible to begin pressure for settlement of the other problems blocking the move. The Reconstruction Finance Corporation loan was approved by the Commission at the same time, and the details connected with this could be prosecuted vigorously.[11] The proceedings in the various court tests and settlements of M&O affairs could be pushed. In December, 1939, the whole plan was submitted to the stockholders of the GM&N and to the debentures holders of the New Orleans Great Northern for their approval or rejection. At a stockholders meeting on December 29, the GM&N's owners ratified the proposals made by their Board of Directors. The New Orleans Great Northern security holders did not have to approve the proposal since the new company would

continue its lease with certain relatively minor alterations. It was desired, however, that New Orleans Great Northern debentures be exchanged for stock in the new GM&O.

1940

The first quarter of 1940 passed, and still the merger was far from completed. The legal tangles of claims against the M&O and the problems of reorganization were more difficult and time-consuming than had been expected. The option to buy the M&O's first mortgage bonds was extended from March 1, 1940, to July 1. At this point the Southern indicated that the purchase must be completed or the option would not be renewed.[12] Because of the delay in negotiations for the merger, the GM&N annual stockholders meeting, set for April 8, was not held. A Board of Directors meeting was called for April 29, however, to discuss the need for action in order to prevent the lapse of the M&O bond option.

At this meeting a new plan was presented which called for the GM&N to borrow $7,500,000 from the Reconstruction Finance Corporation and to buy the M&O bonds before the merger was completed. The members of the Board agreed to this proposal as the only available alternative to collapse of the entire project. Mr. Budd, who was absent, sent a telegram to the meeting signifying his approval of this plan.

Two other matters of importance came before this same Board meeting. It was stated that the Wheeler-Lea Bill for the further control of United States transportation was likely to be passed at the current session of Congress. If this bill were to pass and become law, the whole two-year effort to merge the M&O and the GM&N might collapse. This bill seriously restricted, if it did not completely prevent, Reconstruction Finance Corporation financing of railroad mergers. The only apparent defense that the GM&N–M&O had was to get the merger completed before final approval of the bill.

The other matter was the problem of office space in Mobile. The officers of the GM&N wanted to have a home office built which the railroad could purchase at a later date. If the merger failed, however, the need for space would not be nearly so great. The Directors took no positive action on this plan at this time, but they did approve the idea in principle.

By the middle of May, all was in readiness for the GM&N to buy the M&O bonds from the Southern. The Reconstruction Finance

Corporation had agreed to lend $7,500,000 at 4 per cent for a period of 10 years, instead of for 6 months as the original proposal had stated.[13] The GM&N was to put up substantial collateral to protect this loan. The Reconstruction Finance Corporation had agreed that, if the merger did not go through as planned, the money would not be demanded promptly on the date due. Also, the additional money up to the original $9,500,000 would be forthcoming if the merger did go through. On this basis the GM&N went ahead and bought the M&O bonds which the Southern was ready to sell.

Prior to this action, as had been the case before every important step in the past, the GM&N had asked Coverdale and Colpitts to study this move. Their report was received on May 10. The report stated that the purchase of $7,839,500 face amount of M&O first mortgage bonds (total claim value $10,803,160) for $7,295,465 plus 2 per cent interest from September 1, 1938, was an excellent defensive move for the GM&N. The following reasons were given for this advice: (1) bonds are on 493 miles of line from Mobile to the Ohio River plus all the branches in Mississippi, this section of the M&O more than earning its interest under receivers; (2) the M&O could earn more if the GM&N owned bonds and if the Southern were out of the picture; (3) the M&O and the GM&N could, by friendly agreement, save each other money without merging; (4) if the M&O were controlled longer by Southern, the GM&N would revert to its 1916 status, except that it will be heavily in debt for building up a road with no traffic to haul.

In May the Company also decided to go ahead with plans for the new office building in Mobile. Arrangements were completed with the receiver of the M&O so that if the merger plan fell through, the M&O would jointly share the space of the new building.[14] This was another bit of evidence that the GM&N was correct in deciding to buy the M&O first mortgage bonds. As the M&O's principal creditor, the GM&N would be able to influence M&O policy before the merger was completed.

Another example of this fact was the plan of the M&O receiver to set up an equipment trust to purchase new equipment. Under this program, the M&O ordered 1,000 steel box cars of 40-ton capacity, 250 steel hopper cars of 50-ton capacity and 2 Diesel passenger engines of 2,000 H.P. each. These two new locomotives were to be put on the rebuilt and refurbished Mobile–St. Louis passenger run. Originally it had been thought that new coach equipment

would be necessary, but it was decided to rebuild other equipment instead. Even though the merger had not been completed, the GM&N's management was making every possible move in keeping with the idea of the merger. Again the road was "going on" as best it could in its determination to grow and render better service to the territory through which the road ran.

Like everything else, there had to be an end to the effort to merge the M&O and the GM&N. Finally the courts advertised that the M&O properties would be sold at foreclosure proceedings on August 1 and that the final hearings would be held on August 21 and 22. The sale went off as planned, and the title to the M&O properties passed to the representatives of the Mobile and Ohio Reorganization Committee. On September 10 it was announced that when the deeds to this M&O property had been made out to the GM&O, the agreement of consolidation would be fulfilled.[15] After this action, the final consolidation papers would be completed. In accordance with this arrangement, the merger was officially consummated on September 13, 1940, more than 28 months after the first agreement between the GM&N and the Southern.

PART · III

The Gulf, Mobile and Ohio,

1940–1952

CHAPTER · XIII

The Gulf, Mobile and Ohio, 1940=44

1940

ALL groups connected with both old railroads seemed glad that the struggle toward consolidation was over. In some ways, the actual completion was an anticlimax to everyone except those intimately involved in the last actions preparatory to the final proclamations. Most of the employees had assumed that the merger would take place without further question after approval had been given by the Interstate Commerce Commission. The actual completion, however, was a definite relief to the management. The *News* of October 15, 1940, carried Mr. Tigrett's statement of appreciation and his hopes for the continued success of the railroad he was to head. No evidence of exultation was shown, but there was a clear expression of his hopes for the future of the new Gulf, Mobile and Ohio. The statement said:

> The merger is completed. After two and one-half years of tension and effort the consolidation agreements, marking the final steps in the last chapter, were filed with the officials of certain States, and Gulf, Mobile and Ohio was legally authorized as a solvent and independent Railroad.
>
> It does not take many words to state this fact. The job itself, however, represents a vast amount of labor. There have been successes which seemed at the time to be conclusive. There have been failures which appeared to be fatal. These are now behind us.
>
> There are many of us who have given to this undertaking our best endeavors—many of us who have been essential in obtaining a happy ending. Of these there are three who have carried the heaviest part of the load—Executive Vice-President Frank Hicks, Vice-President and General

Counsel J. N. Flowers, and our New York Vice-President, Bob Brown.

For the cooperative attitude of our employees and for the unanimous support of the people living along the lines of the two Railroads we particularly owe a continuing obligation of useful relationship.

As I have already said, the job of consolidating is ended. The big one just now begins. Our aspirations and hopes were expressed by Bill McGovern, General Chairman of Clerks, Northern and Southern Divisions, whom I met last Saturday night just after I returned from New York—'We have got to make the Gulf, Mobile and Ohio one of the best Railroads in the United States,' he said. If I correctly appraise the ability, character, and determination of the people with whom I am working, that is exactly what we are going to do.

Completion of the merger did not make a great difference in the operation of the properties of either road. After the Commission gave its approval to the merger and after the Gulf, Mobile and Northern bought the Mobile and Ohio mortgage bonds, the receivers followed the suggestions of the top GM&N officials in every case where it was possible.

The two top men in the operating affairs of the M&O had decided to cast their lot with the new Company. Mr. C. E. Ervin, the receiver, was to become a Vice-President of the GM&O. Mr. Vester Thompson, the operating manager, was to become Assistant to GM&N's Glenn Brock. Thus it was easy to establish most of the GM&N's wishes and policy on the M&O long before the legal technicalities of merger were completed.

Unfortunately for the new Company, Mr. Ervin passed away not many years after the merger was completed so that his services were never fully utilized in the combined organization. Mr. Thompson, however, is still very active in the operations of the GM&O.

The biggest, or most obvious, change to take place after the actual merger was the moving of most of the St. Louis office personnel to Mobile. The GM&O was able to work out these employee shifts without ever having to go through the formal process of using the Washington Agreement. Each person affected was advised of the Company's wishes, and in every case amicable arrangements were made on a direct basis without the need of mediators. Without doubt, the expanding job markets, as well as the demands of defense forces of the United States, helped solve some of these problems. It had never been the intention of the management to make any employees suffer personal loss as the result of the merger. One long-range result of this careful, considerate policy was that there

was no employee opposition to the Alton merger some five years later. Nor was there any effort to deny Vice-President Hick's strong-testimony as to the Company's policy on the matter of employee transfer.

In October, 1940, the newly equipped trains for the Mobile-to-St. Louis service went into operation. Two new Diesel locomotives supplied the power, and the coaches were completely rebuilt units which had been reconditioned in the shops at Jackson, Tennessee. These trains soon were called the Gulf Coast Rebels although they were not made up of new stainless steel cars, as the original Rebels of the old GM&N had been. The redesigned units, together with the new Diesel engines, enabled the GM&O to inaugurate much faster schedules than had been in force between Mobile and St. Louis. When the schedules of the older Rebels were fitted in with those of the Gulf Coast Rebels, there was a substantial reduction in travel time from New Orleans to St. Louis.

Another important equipment shift was the delivery in the last months of 1940 of two Diesel switch engines. Two more were delivered in early 1941. Use of these units, together with the already established use of the passenger Diesels, led the road to study its power problem very carefully and eventually resulted in a complete shift to Diesel power. This was not to take place until after the end of World War II, however, even though the Company rapidly expanded its Diesel switching fleet during the war years.

1941

The year 1941 was one of co-ordination and growth along the new GM&O. The Board of Directors had faith in the road's future, even if some investors seemed unconvinced. At its January meeting, the Board authorized the management to buy New Orleans Great Northern bonds which might be offered for sale at not over 75.[1] Later this order was extended to the GM&N and also to the GM&O bonds at similar prices. During the year, the Company reduced its outstanding debt by $714,600 through its purchase of these securities. In addition to these purchases, the Company paid $502,000 on its obligations to the Reconstruction Finance Corporation.[2]

By the time all of the GM&O's new equipment had been delivered, soon after the merger, the road felt it had sufficient equipment for the years just ahead. However, the rapid increase of war preparedness freight forced a revision of these estimates. The As-

sociation of American Railroads recommended that the GM&O buy 2,000 new freight cars to handle the expected business. During June, 1941, the GM&O decided to order 1,000 new cars instead of the 2,000.[3] Before the war was over, the GM&O wished many times that it had crowded its budget enough to buy the additional 1,000 cars and then some.

The new home office building for the road was completed in the fall of 1941. This $600,000 structure had been erected at an initial outlay of $235,000 by the GM&O. Other payments would be made in lieu of rent, and eventually the GM&O would have complete title to the property.

During the year, the road bought a small coal mine at Sparta, Illinois, to supply the coal for Company locomotives.

The co-ordination and improvement program of the road was not confined to the rail service of the GM&O. Gulf Transport Company also made extensive changes. Early in the year some of the better busses were equipped with individual seat radio speakers so that the riders could listen while they rode. Later in the year the company added service between Cairo and East St. Louis, Illinois.[4] This was over the route of the St. Louis, Red Bud and Chester Motor Bus and Service Company, whose franchise had been purchased by one of the four highway subsidiaries which the M&O had owned. Another change which was planned in bus and truck service was for the Gulf Transport Company to acquire all of the other highway companies owned by the railroad at the earliest convenient date and consolidate those activities as much as possible.[5]

In spite of these problems and changes, the management continued its interest in personnel matters and problems. Mr. Tigrett had a letter printed in the *News* which expressed his views on labor organizations in general. This letter was in reply to one addressed to him by a new employee, but it was printed as an effort to inform new employees of the general Company policy toward its employees and their activities. His letter is as follows:

> An inquiry from an employee has cheered me. It comes from a young man who works for one of our related companies. He states in effect that he is being urged by a General Chairman to join a Railroad Union; that he wants to do the helpful thing for all concerned, but that he places foremost his obligation to those who are responsible for his having a job —and what should he do about it?
>
> My advice to him or to any other employee connected with this Railroad or any subsidiary of the Railroad, is to join without hesitation any

organization which he is convinced will help to secure or to insure fair treatment for himself and for others.

It should be deemed an honor to belong to a Labor Union which is used as a means to procure justice for its members and, also, justice for all others concerned. A dispute has two parties; a settlement is not fair unless it is fair to both sides.

Labor organizations can do much, not only in obtaining benefits for their own membership but also in aiding employers and the public through the just settlement of disputes.

If I should be permitted to voice a suggestion I would implore our employees to take a continuing and an abiding interest in the organization after joining—to the end that fair and able men may be chosen as representatives. It should be remembered that those who are selected will be regarded as expressing, while they are in office, the sentiment of every single member.

Taken as a whole, I believe that the men and women who work for our Company want to see the employer treated just as fairly as they expect to be treated. If that is true, they should take a keen part in seeing their leaders represent their viewpoint.

The stockholders who are making it possible for the employees to have jobs are entitled to consideration from the employees. Those who represent the employees and those who represent the stockholders rarely ever fail to reach an agreement if they attempt to observe the general principle of the Golden Rule. Fair contractual relations and a generous recognition of our moral obligation to each other make for a happy industrial family.

Again do I express my appreciation for the attitude indicated in the letter which I have received. What I am saying in reply I am, without apology, making public. I think the question the young man has asked is a public question.[6]

1942

At the time of the Japanese attack at Pearl Harbor, the GM&O, along with all the other railroads of the country, was deep in wartime transportation. Our active entry into the conflict almost immediately brought new and greater pressures on the GM&O. The German submarine activity in the Gulf of Mexico and nearby waters brought two great shifts in the Company's freight tonnage. Because the oil tankers could not get safely from the Louisiana and Texas refineries to our east coast cities, the GM&O began to get numerous movements of maximum length oil trains which traveled from its southern ports to the North and the East. This movement continued for many months before sea and air patrols restored a semblance of safety to the shipping lanes so that water shipments could begin again. The gradual decline, and, finally, the complete cessation of

the banana movement from Central and South America was also caused by enemy submarine activity and the shortage of shipping. In July, 1942, the banana movement came to a complete stop and for several reasons never regained its prewar importance until the end of hostilities in 1945.

In spite of these and other operating problems, the GM&O was making progress in its integration of GM&N and M&O personnel. The August 15, 1942, issue of the *News* reported that the GM&O stood in second place in its safety campaign group of twenty-six railroads. This was a substantial improvement over 1941, and it clearly indicated that the GM&O was succeeding in getting co-operation in its operating services.

On July 1, 1942, Gulf Transport Company became the sole highway subsidiary of the GM&O. All the other companies had been merged into this unit for operating purposes. At this time, Gulf Transport was operating 1133 bus route miles and 1734 truck route miles through Missouri, Illinois, Kentucky, Tennessee, Alabama, Mississippi, and Louisiana.[7]

Not content to rest on its reputation as a pioneer in many phases of land transportation service in the past, the GM&O decided that it wanted to try its hand at air transportation service. On May 1, 1942, the GM&O applied for postwar air rights through its entire territory.[8] Rebel Air Freight, Incorporated, as the new subsidiary was to be called, proposed to render service primarily from Chicago to the Gulf coast by way of St. Louis, Memphis, Birmingham, and Montgomery. In addition to these major cities, the plan proposed to serve most of the smaller cities with air freight and passenger service through feeder routes. New air routes of this type were not awarded during the war years and before the war was over the GM&O had decided not to press its case to secure these routes. Finally the GM&O's request for air rights was withdrawn and the company announced its intention to keep all of its operations on the ground.

Because of limited patronage, the GM&O ceased operating its passenger trains between Union, Mississippi, and Mobile on April 28, 1942.[9] Additional bus service was provided in lieu of the concelled train schedules. When the Laurel, Mississippi, Chamber of Commerce complained at the loss of the trains, the road pointed to its need for equipment elsewhere and the fact that the trains were scarcely used. For example, in March, 1942, the busses of the Gulf

Transport Company carried 9,679 passengers between these points, whereas the trains over the same route carried only 1,794 people.[10] In the light of those facts and the wartime conditions, the complaint was soon dropped.

Another bit of evidence of wartime conditions in 1942 was that Gulf Transport hired its first woman bus driver in November of that year. Evidently the surplus of labor which the GM&O once had was no longer in evidence!

1943

The peak war year as far as the Gulf, Mobile and Ohio was concerned was 1943. Both its problems and its earnings hit their crest during this year. The biggest problem was employee turnover. During the year, the road had an average of 6,600 employees, but a total of 12,000 different names were on the payrolls for the 12-month period. Many of these were new, "green" employees with no railroad experience. The road sadly missed the 850 employees who were in the armed services, but somehow it managed to continue relatively safe and prompt operations.

Two of the GM&N–GM&O's oldest Directors from point of service left the Company in 1943. Mr. W. H. Coverdale was forced to resign from the Board through an ICC ruling which classed him as director of a "competing" line and, therefore, ineligible for the Board of the GM&O.[11] This case had been pending ever since the merger in 1940, but because of Mr. Coverdale's long and valuable service to the road, the GM&O had refused to let him go without a final ICC order to the effect that he could not serve.

It is quite ironic that Mr. Coverdale, who had done as much as any Director and more than most to build the GM&N into a strong permanent rail line, had to be forced off the Board at the time of the Board's biggest step in its growth program.

The other Director to leave in 1943 was Mr. R. F. Brown, who had served as New York Vice-President of the Company for many years and who had been connected with the GM&N and the GM&O since the creation of the GM&N in the period 1913–17. In 1943 Mr. Brown was a partner and longtime employee of Kuhn, Loeb and Company which had acted as bankers for the GM&N–GM&O since the reorganization of the New Orleans, Mobile and Chicago. He resigned as Vice-President and Director when the road sought competitive bids on certain refinancing proposals during 1943.[12]

At the time of Mr. Brown's resignation, the Board passed the following resolution: "Be it resolved by this Board of Directors that it does hereby affirm its full and complete confidence in the management of this Railroad and does hereby commend heartily the management for its action in refinancing the Company's indebtedness on such a favorable basis to the Company."

The biggest single event in 1943, as far as the GM&O was concerned, was the refinancing of $18,500,000 of bonds due in 1950.[13] The Company sold $15,400,000 of collateral trust bonds and used $3,000,000 of treasury cash to retire the older issues of bonds. The Reconstruction Finance Corporation bought $8,700,000 of collateral trust bonds, due in 1958, with an interest rate of 4 per cent. This transaction was carried out to replace the GM&O's note for $8,780,000, due in 1950, which carried 4 per cent interest. The Company also sold $6,700,000 face amount of collateral trust bonds through Halsey, Stuart and Company at an average interest rate of 3.49 per cent. The GM&O thus reduced its interest charges by $283,000 per year, and it also exchanged a very large block of its fixed obligations, which had been due in 1950, for securities with longer maturity dates.

The net income of the GM&O and of most other railroads showed a decided upward trend from 1940 through 1943. In fact, railway net income was so high for most roads that the Interstate Commerce Commission rescinded the temporary increase in rates which had been granted in March, 1942. Although it disliked losing this revenue, the GM&O realized that the move was logical if the government really intended to hold the line on wages and prices throughout the entire economy. The general feeling of the Directors of the road was expressed in a story which was carried in the *News* and is reproduced in Figure 16.

Vice-President and General Manager Glenn Brock reported to the Board in September, 1943, that the GM&O could save $800,000 to $1,000,000 annually if it changed to Diesel power on the entire road.[14] The changeover would cost approximately $9,000,000. The Board approved a plan to secure certain road freight Diesel units for testing purposes in 1944.

Soon after the merger in 1940, the GM&O decided that it was no longer interested in maintaining its dock and pier facilities which had formerly belonged to the M&O. This property was old and not in good repair, it was located within the main business district

POLICY OF THE GM&O CONCERNING WAR-TIME INFLATION
GM&O News May 15, 1943

It was not very long ago—in December, 1941—that railroad employees were granted an increase in wages. To help offset that increase, the Interstate Commerce Commission allowed the railroads in March 1942, to raise their rates.

Just the other day, the ICC ordered the suspension of the freight rate increase. *This means that the railroads' revenue has been taken away while the increased wage expense is permitted to stand.*

Naturally we dislike being deprived of this revenue. It would be quite helpful in restoring the greatly diminished equity of our stockholders.

At the same time, if this policy of the ICC is a step toward checking the current inflationary flurry; if it means that our Government will not permit, except in thoroughly warranted instances, further increase in wages and other items which raise the cost of living; if it means that our dollar is going to retain its value; and if it means that the money which all of us are investing in life insurance and war bonds will be preserved after the war—

Then the Management of this Railroad raises no objection. We are, in fact, glad to contribute toward a sound program of national economy.

We believe also in a low transportation charge for the public. It stimulates commerce.

But all of us—the employees, the public and management—should be ever mindful of the fact that the cost of a transportation service is generally reflected in the rate.

That is why useless expenses in railroad operations should be *eliminated;* that is why we should not be forced to pay employees for work which they do not perform; that is why *the railroads should be relieved of the unjust "featherbed" rules with which they have been gradually manacled,* mainly through interpretation of the National Railroad Labor Adjustment Board from whose decisions there is no right of appeal.

FIGURE 16

of Mobile, and the tax rate was high. The property was adjacent to the new Alabama State Docks which hoped to expand into part of the area owned by the GM&O. Negotiations were begun in 1941 to see if the State Docks desired to buy these facilities. At this time the city of Mobile evidenced an interest in some of this property. In the spring of 1942, the city proposed that it buy most of these facilities. The plan was for the city then to sell or lease much of this property to the State Docks. Negotiations were carried on through 1942 and 1943 until the transaction was finally completed on December 1, 1943.[15] The GM&O received $350,000 for its share of this property. As this was some $600,000 less than the depreciated book value of the properties, the GM&O was able to take a tax deduction of this amount on its income tax return for 1943.

Perhaps the most spectacular event in 1943 for the GM&O was the discovery of oil in Wayne County, Mississippi. The road owned 23,000 acres of land in Wayne County. Some leasing and drilling was taking place on the GM&O land in this area, but during 1943 no wells were brought in on land belonging to the road.

1944

Railway operating revenues for the GM&O in 1944 were almost equal to those of 1943, but the net income was over a million less. Increased taxes and increased operating costs made the difference.

Wartime movements continued to be heavy, and the operating department in particular was plagued by continuing man power problems. Perhaps under these circumstances, it was fortunate that the road freight Diesel units which had been promised for the latter part of 1943 were not delivered. The manufacturers were unable to allot production to civilian use because of unexpectedly heavy military orders. The Company did receive four more Diesel switchers, however, and was able to buy some all-steel gondola cars in place of 116 box cars, which the War Production Board decided should not be produced at this time.

As in 1943, the big news for 1944 was refinancing of Company securities. $10,500,000 of 3.75 per cent 25-year Series D bonds were sold at a net interest rate of 3.92 per cent. Cash from this sale plus $798,000 from treasury funds allowed the Company to retire two groups of securities.[16] The most important of these were the $8,600,000 of collateral trust bonds sold in 1943 to the Reconstruction Finance Corporation. Also, the Company retired $2,000,000 of col-

lateral trust bonds from another issue which had been due in 1953. By means of this sale and the accompanying transactions, the Company was able to restore to its treasury $5,314,000 of its own bonds which had been put up as security for the collateral trust bonds, and it also was able to cancel the $10,500,000 in Series C bonds, which had been issued to protect the RFC loan in 1940. At a time when new financing was fairly easy, this action freed the GM&O from RFC financial control and generally strengthened its position in the money market. Ex-banker Tigrett did not want to be caught in an unfavorable position by a changing money market influenced by peacetime conversion problems.

The policy of retirement of obsolete properties continued.[17] The 12-mile Blocton Branch between Eoline and Blocton, Alabama, was abandoned during the month of July. In August, the 9-mile Aberdeen Branch in Mississippi was also abandoned. These were two unprofitable branches on the former M&O properties which apparently held no hope for future profitable use.

In addition to these branches, the road also retired the old M&O Whistler shops near Mobile, and it closed and salvaged the power plant at the Iselin shops of the M&O at Jackson, Tennessee. A purchase contract was made with the Tennessee Valley Authority to supply power needs at a price below the operating costs of the Iselin plant. After these and a few other minor actions, the management was able to report that practically all obsolete property had been retired. The road was trying to remove all property which would not add strength to postwar operations, and it was trying at the same time to reduce its income tax payments as much as possible.

Gulf Transport Company continued its growth during 1944. In May, operations began over the route of the former Butler-Mobile Coach Line which ran from Mobile to York, Alabama.[18] Also toward the end of the year, Gulf Transport applied to the Mississippi Public Service Commission for permission to serve Jackson, Mississippi, from Newton, Mississippi, primarily.[19] This was to be a closed door bus service from Newton because Southern Trailways already held the franchise over this route. The primary purpose of the application was to allow the Gulf Transport to operate its busses along the GM&O lines and, at the same time, to connect these points with Mississippi's fast-growing capital without the necessity of transferring to busses of other companies.

In addition to giving the territory a more satisfactory service, the

move presumably would increase Gulf Transport's revenues. By the same token, Southern Trailways stood to lose business and it very naturally opposed Gulf Transport's requests. The resulting contest was not one that could be quickly solved, and it was the early part of 1945 before the Commission's decision, which refused to sanction Gulf Transport's entry into Jackson, was announced.

During 1944, the GM&O began to study the possibility of merging with the bankrupt Alton Railroad (Alton). In 1943, one of the GM&O directors wanted the Company to investigate this situation, but Mr. Tigrett demurred because of the east-west line of the Alton from St. Louis to Kansas City. Later Mr. Budd of the Chicago, Burlington and Quincy contacted Mr. Tigrett and suggested that the east-west line might be sold, thus leaving the GM&O with the St. Louis–Chicago main stem. With this encouragement, the GM&O began looking into the advantages and disadvantages of a possible merger. For this purpose, Culver White, son of "Dad" White who was the GM&O Treasurer, was retained as a special assistant to President Tigrett.

The oil drilling activity in Southern Mississippi continued, and during 1944 some production resulted on the GM&O noncarrier land which had been part of the federal land grant to the M&O in 1850–60. To be better able to lease its property, the road organized the Gulf, Mobile and Ohio Land Company and transferred all its noncarrier lands in the exploration area to this company. This action was necessary because it was difficult to sell or trade oil leases on land covered by rail mortgages. Under this plan these noncarrier lands were cleared of these liens so that leasing could be expedited. At the close of 1944, this new subsidiary was receiving royalties at the rate of $1,500 per month. Active drilling operations were continuing, and prospects were good for further development.

CHAPTER · XIV

Negotiations to Buy the Alton Railroad—1945

THE most important task in 1945 for the Gulf, Mobile and Ohio, was its effort to merge the Alton Railroad into the GM&O's activities. All of the studies made by the GM&O appeared favorable to combined operations if a satisfactory capital structure could be secured. Under a joint operation, a longer haul would be possible on much traffic which formerly had been shipped part of the way to destination over one or the other of the two lines. From the information available, it seemed that at the time of merging, the GM&O could offer much more to the Alton than the Alton could offer to the GM&O.[1] This was true primarily because the GM&O could better control its originated traffic and thus deliver much of its northbound business to the Alton at St. Louis.

Another important factor in these studies was the almost complete absence of efficient equipment on the Alton.[2] During the worst of the depression years, the Baltimore and Ohio (B&O) had had much more equipment than it needed; so it supplied equipment to the Alton, seldom receiving any pay for its use. As a result of this situation, the Alton had only old, worn-out equipment, and it had no money to buy anything new.

With these facts at hand, the GM&O proceeded to negotiate with representatives of the Alton Bondholders Protective Committee in New York. Another meeting took place in Chicago some time later. On April 26, the GM&O agreed to acquire the Alton on terms acceptable to the bondholders' representatives. In effect, the GM&O was to purchase outright the properties of the Alton. All Alton

mortgages were to be satisfied by bankruptcy proceedings, and the property thus cleared was to be placed under the GM&O's mortgages instead.[3]

The terms which were finally accepted were these: the GM&O was to give to each holder of a $1,000 3 per cent Alton bond a $500 4 per cent Series B GM&O income bond and 7¼ shares of GM&O common stock, which had no par value but was assumed to be worth $30 in the current market. The GM&O was to get the Alton properties free of debt, and these properties would be subject to the GM&O's two mortgages. The GM&O was to assume the equipment obligations of the receiver of the Alton, and it was also to agree to assume the leases on the Joliet and Chicago Railroad and on the Louisiana and Missouri River Railroad—two of the three leased lines in the Alton system. The third line, the Kansas City, St. Louis and Chicago, which controlled the tracks to Kansas City, was to be leased under new terms.

Under this plan, the GM&O was to get the Alton properties without any increase in its fixed charges, except in the case of equipment recently purchased by the receiver. The leased roads, of course, would receive fixed rental payments, but these payments would be relatively small. Under this plan the GM&O had much to gain and little to lose. The Alton bondholders, however, felt that this was the best plan which was available to them, and they were glad to agree to the joining of the two systems. Because the future of the combined properties looked bright, the Alton bondholders deliberately chose common stock rather than preferred so that they could share in the expected rise in GM&O securities.

On the basis of the above plan, the GM&O applied to the Interstate Commerce Commission on May 14, 1945, for permission to acquire the Alton. Hearings were set for June, and this time no opposition was expected from any source. The case was prepared carefully, however, in order to forestall any trouble and to speed the transaction as much as possible.

At the same time that the GM&O was negotiating with the representatives of the holders of Alton bonds, negotiations were going on with other interested parties. The B&O had a variety of secured and unsecured claims against the Alton totaling over $15,000,000, which did not include the Alton stock held by the B&O. Obviously, the B&O did not hope to collect anything like that sum from any reorganization of the Alton; but from the GM&O's standpoint, it was

essential to remove the possibility of B&O interference in ICC proceedings on a prospective merger. In an effort to hasten the reorganization, the GM&O, on May 25, 1945, paid the B&O $1,190,925.85 for all its claims on the Alton, plus all of the Alton stock, plus the collateral which the B&O had pledged to the Reconstruction Finance Corporation for the purpose of securing an RFC loan previously made to the Alton.[4] As a result of this action, the B&O was removed from the Alton proceedings entirely, and it tacitly supported the GM&O's merger proposal.

From this and a few minor transactions which took place later, the B&O received about 2 cents on every $1.00 of total claims that it held against the Alton. It was obvious, of course, that the B&O's $25,000,000 in Alton stock represented no equity, and many of the B&O's claims were unsecured bookkeeping transactions such as those which resulted from the B&O's practice of providing equipment to the Alton for use during the depression. Most of this payment from the GM&O was for the relatively valuable collateral which had been pledged against the RFC loan. In the light of these facts, it seems that the B&O received reasonable payment under the circumstances. At any rate, the B&O was satisfied with the transaction and did not oppose the consolidation. It has been said that one of the reasons that the B&O was willing to compromise its claims was its income tax situation in 1945.[5] The B&O had long ago written off its investment in Alton stock, but the Internal Revenue Department had not been convinced of the losses involved. By this sale, the Baltimore and Ohio was able to prove its losses and was able to have a major deduction in 1945 to offset its high net income for that year. If the transaction had come in a less prosperous year for the B&O, the payment required from the GM&O might have been larger or the discussions might have lasted longer.

THE ALTON MERGER PROCEEDINGS BEFORE THE INTERSTATE COMMERCE COMMISSION

The ICC hearings on the GM&O merger with the Alton had none of the elements of a pitched battle between rival camps, as had been the case in the Mobile and Ohio merger hearings in 1939. The Illinois Central, the Wabash, and the Chicago and Eastern Illinois appeared to protect all "through routes and channels of trade via gateways now existing."[6] This was quickly settled because it was stated at the opening of the hearing that the GM&O "is willing for

the Commission to impose . . . the condition that Gulf, Mobile and Ohio shall maintain and keep open all routes and channels of trade via existing gateways unless and until otherwise authorized by the Commission."

Various groups of interested security holders, as well as the receiver, had offered tentative plans to reorganize the Alton, but, as the hearing progressed, all of these groups temporarily shelved their plans and accepted the basic points of the GM&O proposal. Because of this, the Commission was able to devote the time of the hearings to the effect of the proposed merger on the two roads.

Vice-President Hicks of the GM&O stated that the merger would help his road by increasing revenues, but "the consummation of this transaction results in no increase in Gulf, Mobile and Ohio's fixed charges except as to Alton equipment obligations—and rentals for leased lines." He also made it clear that the GM&O did not really want the line to Kansas City, but it had agreed to take that segment in order to speed up the entire Alton transaction.

The main reason the GM&O did not desire this line to Kansas City was that the GM&O was a north-south road and the Kansas City line was primarily an east-west operation. In addition, everyone connected with the Alton said that the Kansas City line was the major cause of the Alton's downfall. The tentative plan to dispose of the Kansas City line made the whole proposition appeal to the GM&O.

The traffic studies which the GM&O had made of the possibilities of combined GM&O–Alton operations were summarized for the benefit of the Commission. It was pointed out that the combination would be primarily an end-to-end merger and that both lines could feed some additional traffic to the new company, which would tend to increase the length of haul. The studies indicated, however, that the GM&O would help the Alton more than the Alton would help the Gulf, Mobile and Ohio. E. B. DeVilliers, Assistant Vice-President in Charge of Traffic for Gulf, Mobile and Ohio, said,

> . . . By far the larger part of the additional revenue to be realized from the longer haul of traffic is on the Alton end. That is, it is contributed by the Gulf, Mobile and Ohio to the haul for the Alton.
>
> We found many more cars being handled by the Gulf, Mobile and Ohio that could be handled via the Alton than vice versa. Approximately 80 per cent of the additional revenue to be realized is contributed by the Gulf, Mobile and Ohio traffic. That is, it comes from traffic now being handled by the Gulf, Mobile and Ohio and which we believe will be handled by a longer haul, Alton Junction. The other 20 per cent is con-

tributed by the Alton. That is, it comes from traffic now being handled by the Alton which we believe can be handled by longer Gulf, Mobile and Ohio junctions. . . .

Another important point was the fact that the GM&O was not just buying the stock of the Alton, but that it was proposing a true merger. Thus the GM&O would accept full responsibility for the Alton as well as have a chance to profit if the Alton should show an improved earning capacity. E. D. Scruggs, who had testified at the GM&N–M&O merger hearings as a witness for the M&O Bondholders Committee, testified this time as an employee of the GM&O. The more important parts of his testimony are quoted in Figure 17.

After the testimony had been given about the corporate parts of the plan and the traffic potentials of the merger, Mr. Hicks was recalled to state the GM&O's policy with regard to employee treatment in the merger. His testimony said in part:

Q—[by Exam. Molster]—Mr. Hicks, didn't you testify as to the effect of this proposal upon employees?
A—Yes, I did.

Q—As I remember your testimony, you said they would not be adversely affected.
A—I stated, I believe, that they were protected by the Washington Job Protection Agreement, and based on our experience with the Gulf, Mobile and Ohio acquisition in a merger case, not a single complaint arose that was not settled on the property.

Q—How much is it going to cost you to take care of employees under this proposal?
A—We did not avail ourselves of the Washington Job Protection Agreement in the case of the Gulf, Mobile and Ohio case and we did not pay any wage dismissal or any allowances to any employee. We kept all employees, and that will be our purpose in this case, to retain all employees and let normal and natural attrition take up the slack.

The case for the Alton Bondholders Protective Committee was stated by Mr. Louis Boehm and Mr. Patrick B. McGinnis. Mr. Boehm opened this part of the testimony by explaining the manner in which the Alton group began negotiations with the GM&O. He also gave some of the major reasons why the consolidation was accepted by the Alton creditors. The major points of his testimony were:

. . . I happened to read or have called to my attention, rather, a statement which appeared upon Dow-Jones' ticker issued by Mr. I. B. Tigrett, President of the Gulf, Mobile and Ohio Railroad Company, that the Gulf,

Excerpts from Testimony of E. D. Scruggs in Hearings, ICC Finance Docket Nos. 14931, 14932

Three different reports were made on the Alton situation. Back in 1941 Mr. William Wyer made a report for the insurance group of the Alton bondholders and Coverdale and Colpitts made a report for the savings banks groups of the Alton to estimate what effect Baltimore and Ohio control had had on the Alton properties. After very thorough and careful investigations, they both came to very nearly the same conclusions.

For the year 1939, Coverdale and Colpitts estimated that if the Alton had been operated independently and had owned its own equipment they would have earned $671,000 more than they actually earned.

Mr. Wyer based his estimate on the three years, 1937, 1938 and 1939 and for those three years he estimated that the Alton would have earned $631,000 additional net if the road had been independently operated.

. . . . . .

Exam. Molster—What does that imply, Mr. Scruggs, that the Baltimore and Ohio was not very generous with the Alton?

The Witness—No, sir, I wouldn't say that. I think in my observation of system operation, of any system, the duty of the management primarily is to get the best results for the system as a whole. The Baltimore and Ohio control of the stock, 100 per cent of the stock of the Alton, and as long as it was solvent, I think they operated it to get the maximum benefit for the Baltimore and Ohio system.

. . . . . .

Exam. Molster—The Alton would not have been a great deal better off, would it, with these amounts that you have indicated?

The Witness: It would have been better off than the earnings in the past showed but, in my opinion, they would not be nearly as well off under independent operation as they would as a part of the Gulf, Mobile and Ohio.

. . . . . .

Q [by Mr. Lott]—And that is the essential difference, is it not, between the Baltimore and Ohio's control of the Alton and the Gulf, Mobile and Ohio's proposal?

A—There are several differences. The biggest difference, as I see it, in the public interest, is that the Gulf, Mobile and Ohio is not proposing to acquire control of the Alton and leave the Alton as a

Figure 17

separate company for whatever hazards there might be in the future for that road.

The Gulf, Mobile and Ohio is here proposing to take over the Alton road as such, so that in the future there will be no distinction between what is presently Alton lines and what is presently Gulf, Mobile and Ohio lines. In other words, they will sink or swim on the total consolidated picture and not on what might happen to one end of the line or what might happen to the other.

FIGURE 17—Continued

Mobile and Ohio had made some traffic studies of the Alton Railroad and that it had come to the conclusion that the merger of the two roads would be beneficial to both, but that the bonds were widely scattered and there didn't seem to be anybody to represent them, so they have dropped the idea, so I called Mr. Tigrett on the long distance telephone at Jackson, Tennessee and told him of the existence of our committee and that we were ready to talk with him about a merger.

Thereupon Mr. Tigrett with some of his operating officials came to New York and we negotiated for the sale and merger of the Alton with the Gulf, Mobile and Ohio.

. . . . . .

Mr. Tigrett of the Gulf, Mobile and Ohio made us a proposition. The committee considered it, it made a counter-proposition which was considered by the Gulf, Mobile and Ohio and finally accepted and the present plan and agreement is the result of an arm's length negotiation between the committee and the Gulf, Mobile and Ohio Railroad and is in the opinion of the committee the best deal that could have been made under circumstances, particularly in view of the fact that according to the present management of the Alton, approximately $26,600,000 would have to be spent for equipment in addition to $6,000,000 already spent by the Trustee and according to Coverdale and Colpitts, $17,850,000 would have to be spent in addition to $6,000,000 already incurred by the Trustee, making a total in one case of $26,600,000 and in the other case $23,830,000 for this railroad. . . .

Mr. McGinnis went briefly into the background of this transaction from his standpoint. He explained as follows:

. . . At the first meeting of the committee I told the committee that we had a lien on the plant and structure but the road was almost devoid of equipment and that my solution, if possible, would be to combine our plant and structure with a railroad having equipment.

. . . . . .

Q—Did you and Mr. Boatner thereupon, at the request of the committee, contact certain railroads for the purpose of interesting them?

A—Yes.
Q—In merging with the Alton?
A—Yes.
Q—What roads did you contact?
A—Between the two of us, the Santa Fe, the Wabash and the Chicago, Burlington and Quincy.
Q—What were you told by the management of these railroads?
A—They displayed no interest.
Q—They were not interested in taking over the Alton?
A—That is right.

Since the Alton group could not interest any of these railroads, they were quite ready to talk with the GM&O about their merger proposal. Mr. McGinnis stated his reasons:

There were some other reasons why I recommended the acceptance of the GM&O offer. . . . The offer, as Mr. Scruggs says, is not a purchase of the common stock which happened four times in the past, by various railroads. It is the acquisition of the physical properties; so that the fortunes of the Alton will be the same as the fortunes of the Gulf, Mobile and Ohio.

. . . . . .

Another reason, as I said, I think it is a permanent cure to Alton as against the palliatives that have gone through in the past and I think that the capitalization is reasonable and conservative and yet as far as the bondholders are concerned, we now receive $30 a year interest, when it is paid.

In my opinion, the $500 income bond of the Gulf, Mobile and Ohio 4 per cent, $20 a year, will be paid in any of the foreseeable future so that beginning—if the plan is approved, beginning January 1, this year, the Chicago and Alton bondholder will be receiving what amounts to two-thirds of their full interest beforehand, yet it will not be a fixed charge on either company.

We particularly adopted a course of accepting common stock rather than preferred because we believe in the future this combined system and by taking 7¼ shares of stock, if they got a bargain we are going to participate in it and if they did not, the same way but at least in my opinion we are assured of two-thirds of the interest which we would get under our full bond under the old deal.

. . . . . .

Another reason that I recommended the plan is that in my opinion, even in normal times, there is hope and justifiable hope for looking forward to reasonable dividends and if we should, in some future year, receive a dividend of $1.00 a share on our seven shares, we are up pretty close to our former full return.

I also think that this combined system eventually will justify a price of $40 a share. It is presently selling at $27⅞. In other words, since this deal was announced, the stock has advanced from 16 to 27⅞.

Of course, it is true that the whole railroad market has gone up but nevertheless the percentage is greater in this stock than it is in most of the others which: No. 1, I think indicates that the general market has recognized the substantial fairness of the plan, and even more, the probable success.

Because there was no opposition and all parties seemed eager to proceed to the work of the actual merger, the hearings were brief, and the trial examiners' report was dispensed with. Instead, the Commission proceeded to study the case as soon as possible, and on September 19, 1945, it gave its approval to the consolidation plan.

After this step, the Company proceeded as quickly as possible to advance through the maze of legal technicalities toward the merger. On May 28, 1946, the federal district court approved the plan as a basis for reorganization proceedings for the Alton under Section 77 of the Bankruptcy Act. It was not until May 31, 1947, however, that all the details of the plan were completed and the task was formally concluded.[7]

CHAPTER · XV

Postwar Years, 1945-49

1945

In January, 1945, the Company completed its plans to dispose of the Millstadt branch, which was the last of the disposable properties of the old Mobile and Ohio. The 8-mile branch was sold to the Columbia and Millstadt Railroad Company for $141,000.[1] This company had been created by citizens of the Millstadt area to acquire the line in order to keep it from being abandoned by the Gulf, Mobile and Ohio.

In the spring of 1945, at the same time that the GM&O was starting its merger proceedings with the Alton Railroad, the pressures brought on by World War II began to slacken. Final military victory did not come until late summer, of course, but the struggle for production was definitely eased in the early months of 1945 and the railroads felt the difference.

The GM&O, like every alert business enterprise, was anxious to get busy on its postwar reconversion activities. In the spring of 1945 the company initiated an extensive renovation program for its shops, buildings, and other physical plant.[2] Most of the work was to be done by outside contractors in the various communities where the work was to be carried out. This program, which cost $2,521,000, gave the railroad property a much-needed face cleaning and, in some instances, a face lifting. Unnecessary sections of stations and other buildings were removed, the rest repainted, reroofed, or refinished, as the individual case seemed to warrant.

During 1945 the road received seven 1,000 horsepower Diesel locomotives which it experimented with quite extensively. By the end of the year, orders had been placed for four 2,000 horsepower

Diesel passenger units, for twenty 1,500 horsepower road freight Diesels and two more 1,000 horsepower Diesel switchers.[3] The operating department was convinced that the expected change to Diesel power would be reflected in impressive savings on operating expenses, and it was eager to make the change as rapidly as possible.

On August 1, 1945, Glenn M. White, the GM&O's Treasurer, died. With the passing of "Dad" White, as he was effectionately known, the road lost one of its most popular and versatile officials. He had worked for the road since 1918 and had filled in at many spots in the Company's operations over the years.

POSTWAR 1946

The big problem which Gulf, Mobile and Ohio faced in 1946 was the postwar inflationary pressure that mounted rapidly after the close of hostilities in 1945. The road was caught between rapidly rising expenses and its wartime rate levels, which were not adequate to provide funds to keep the road solvent in the inflationary period.

Although the road ended 1945 with a net income of $1,444,000, this picture changed drastically when the railway employees of the country were awarded wage increases by various government arbitration boards. Under the circumstances, the management of the road had to take prompt action to keep the assets of the Company from being drained away. In the April 15, 1946, issue of the *News*, Mr. Tigrett tried to explain the road's position to the employees. His message said in part:

To Our Employees:

During the first three months of this year we handled more tonnage than we did in the same period in 1945—a war year.

We had twice as much gross revenues in the first three months in 1946 as we had in the same period in 1940, yet we had net earnings in 1940 and had a net loss in 1946 after applying the last wage award.

Actually, taking the combined figures of the Alton and the Gulf, Mobile and Ohio, we lost more than a half million dollars. This means that out of our three months' operation we not only earned nothing to pay dividends or to pay debts or to finance new equipment or to make other improvements—but we did worse than that—we lost more than five hundred thousand dollars.

During my long years as President of this company we have never had a parallel situation. On numerous occasions we have lost money when traffic was light, but to find ourselves straining our plant and equipment to handle peak traffic which results in an operating loss is not only discouraging but alarming.

Please let me say to you that in so far as the Management is concerned we are going to try to live up to our obligations to our stockholders who have furnished the money to make the Railroad possible. We had planned a program of improvements and expansion. We had planned to add another passenger train between Meridian and Mobile involving additional expense and increased employment. These and other steps will be abandoned. I would feel myself lacking in candor and frankness if I did not say to you that in so far as we can possibly do so we shall curtail and diminish expenses wherever it is possible and whenever it may be necessary to do so.

Apparently this statement by management did not appeal to some labor leaders. The newspaper, *Labor*, published a long attack on the GM&O's policy and on Mr. Tigrett. This was reproduced in the GM&O *News* for May 15, as well as Mr. Tigrett's answer or explanation. The major items of both these articles are reproduced in Figure 18 and Figure 19.

There was little that railway management could do to alleviate the economic squeeze in which the railway employee found himself, but the employee labor organizations continued their campaigns for other wage increases beyond those granted in late March and early April. Finally, on May 23, all of the operating brotherhoods of the nation's railways went on strike. The GM&O's employees were out for two days before action by President Truman sent the men back to work. Unfortunately, the problems of railway labor relations had reached such a state that no road was able to handle its own employee affairs. The national union leaders decided that their best interests dictated a strike of all the roads, and each individual road was helpless. Since all important differences reached one or the other of a variety of government boards, only the government could handle these national problems. In this instance the President was forced to act to avert nationwide disaster.

These labor differences could not fail to hurt any road, but in spite of them, the GM&O continued its progress in 1946. Its plans for Dieselization of operations continued. Orders were placed for eighty-one 1,500 horsepower Diesel freight locomotives, five 1,000 horsepower switchers equipped for road service, and five other 1,000 horsepower standard type switchers.[4] In addition to these orders, the company decided to buy 1,420 new box cars, 50 covered hopper cars, 180 special box cars for automobile shipments and 4 new type roomette sleeping cars to be put in service on the St. Louis–Mobile run.

ATTACK ON MR. TIGRETT AND THE GULF, MOBILE AND OHIO FROM *LABOR* Reproduced in *GM&O News* for May 13, 1946

Mr. Tigrett Loses His Temper

President of Mobile & Ohio, a very prosperous railroad, threatens reprisals because of modest wage increases—

We have before us two copies of "The Rebel Route News," a sort of "house organ" prepared by the Gulf, Mobile & Ohio for distribution among its officers and employees.

One copy is dated March 15, 1946. It fairly oozes optimism. "*Your Company has entered the post-war era in the soundest financial and physical condition in its history.*" That is for the stockholders. Management has this to say about the workers: "It is fitting at the outset, to pay tribute to our employes who served so well and patriotically in the armed forces and then to those whose almost equally essential job it was to keep our railroad running."

All this and much more of the most cheering character is signed by I. B. Tigrett, president of the carrier.

. . . . . .

Unfortunately, the issue of April 15, 1946—*just a month later*—sounds an entirely different note. In between the two issues, arbitration boards and an emergency board had granted railroad employes what was obviously an inadequate increase in wages, but inadequate or not, the wage increase soured the temper of President I. B. Tigrett. So much so, that on the first page of "The Rebel Route News" for April, he prints a threatening letter addressed to "our employes" and winding up with this paragraph:

"Please let me say to you that insofar as the management is concerned we are going to try to live up to our obligations to our stockholders, who have furnished the money to make the railroad possible. We had planned to add another passenger train between Meridian and Mobile, involving additional expense and increase of employment. These and other steps will be abandoned. I would feel myself lacking in candor and frankness if I did not say to you that, insofar as we can possibly do so, we shall curtail and diminish expenses wherever it is possible and whenever it be necessary to do so."

. . . . . .

Of course, we all know what that means. The railroads have asked the Interstate Commerce Commission to boost freight rates

FIGURE 18

so as to give them a billion dollars in new revenues. *That's probably 40 per cent more than the wage increases so far granted.*

The ICC may be interested in President Tigrett's declaration that he is preparing to take the wage increase "out of the hides" of his employees. At the same time presumably he will accept the rate increase which he and other railroad presidents are demanding.

. . . . . .

Substantially the same thing happened after the first World War. A government tribunal granted railroad workers a modest wage increase to take care of the cost of living. The ICC promptly granted rate increases which were more than double the wage increases.

Everyone thought that would make the carriers happy, but it didn't. Instead, they started slashing forces along the lines now threatened by President Tigrett, and later on they filled the newspapers with propaganda in favor of wage cuts.

All this helped materially in precipitating the depression of 1921, and incidentally, the worst railroad strike in this century.

. . . . . .

President Tigrett says he must take care of the stockholders because they provide the money which makes a railroad run. That isn't a very sound statement. The people who patronize the railroads provide the money which enables them to run, and the railroad workers furnish the skill and loyalty needed to make the operation a success.

If he really wishes to safeguard the interests of his stockholders, President Tigrett will stop talking about starting a rebellion over a modest wage increase and settle down to the job of getting more people to patronize the Gulf, Mobile & Ohio, which is a great railroad, and under proper direction, can become greater.

FIGURE 18—Continued

Because the Interstate Commerce Commission gave rate increases to the railroads after labor's wages were raised and because the GM&O was cautious in its incurring of expenses, the road ended 1946 with a net income about $90,000 greater than 1945.[5] By the end of the year, the Company could see its way clear to continue with some of its intended improvements.

1947

One of the plans the Company had made for improving its operations was to break the bottleneck of Alto Pass hill by reducing the grade and installing new passing tracks. When the road finally

REPLY OF MR. TIGRETT TO ATTACK BY *LABOR* *GM&O News*, May 15, 1946

To Our Employees:

The fine spirit with which our effort to reduce expenses has been met is a distinct tribute to the men and women who work for this Railroad.

For more than twenty-five years, the "GM&O Family" has struggled to build a worthwhile transportation agency.

As our credit standing has improved, fixed charges (primarily interest on debt) have been materially reduced. They are now, in proportion to size and gross revenues, among the lowest of all the railroads in the country.

We have never paid official and supervisory forces excessive salaries. On the basis of hours worked, many organized employees are better compensated than their immediate superiors.

We have furnished as good service and as much employment as our means would permit, and I think we have been reasonably progressive.

At the end of last year we had, in fact, reached the "soundest financial and physical condition" in our history.

Last month, however, "arbitration boards and an emergency board" made a wage award which, on the basis of payrolls for the first quarter of 1946, would cost us this year $3,400,000.

Our net earnings the last five years—years of peak prosperity—have averaged only $3,000,000 per year. This is, of course, all we have with which to pay debts, finance new improvements or to pay some return to our stockholders.

In addition to the wage increase, supplies we have to buy are costing this year fifteen per cent more than last year, when they were already high.

In other words, our operating result changed almost overnight from one of reasonable profit to a net loss. Our problem was and still is real and serious.

When and what the decision of the Interstate Commerce Commission will be as to a rate increase no one knows.

In the meantime, we could not idly wait and indefinitely permit the further jeopardy of our solvency and usefulness. We have, therefore, materially reduced expenses and shall continue to do so.

I am sure that the resulting hardship is of as much concern to me as to anyone except the affected employees themselves. I know many of them personally.

Figure 19

But to continue to pay out more than we take in would be both unsound and untrustworthy.

We are ever mindful of the importance of the employees and the public to the success of this Railroad, and we would not minimize this importance any more than we would belittle the benefits which the employees and the public both derive from this Railroad.

I know a good deal about the desires and problems of the laboring man. My Father, who was a country preacher of limited means, thought that the laboring man was *misused,* and my deep sympathies for labor were acquired at an early age. Nothing has happened so far to change these sympathies, and I doubt that there ever will—not even the fact that the laboring man is now so frequently *misled.*

FIGURE 19—Continued

was able to consider starting this project, it was decided that the new Diesel locomotives could negotiate the grade satisfactorily; so the idea of cutting down the hill was discarded. In order to let the Diesels perform more smoothly, however, the Company did install centralized traffic control through the hill and its surrounding area. The entire 40 miles of line between Murphysboro and Tamms, Illinois, could henceforth be controlled by the dispatcher from his desk in Murphysboro. The loaded trains going uphill no longer needed to fear having to stop before clearing the pass. Traffic through the area was speeded up greatly as a result of this change.

During the year, the road continued its rail improvement program by putting down 52 miles of 112-pound rail and about 50 miles of 90-pound rail on the less heavily traveled section of the line.

Although the Alton acquisition was officially completed on May 31, 1947, there was much which still needed to be done to integrate the properties. The Executive Committee of the Board met in July and discussed plans to acquire the capital stock of the Joliet and Chicago and the Louisiana and Missouri River Railroad.[6] The Company's purpose in this move was eventually to dissolve these companies and thereby to avoid payment of income taxes and the cost of paying dividends. The plan which was later developed and put into use called for an exchange of GM&O bonds for the stock of these two lines. At the close of 1947, the GM&O held 5,804 shares of Joliet and Chicago stock and 2,221 shares of Louisiana and Missouri River stock through this exchange offer.[7]

Another project which was begun soon after the merger was the complete overhauling of the passenger equipment of the Alton sector of the line. The work started with the Alton's two fine passenger trains, the Ann Rutledge and the Abraham Lincoln, which by 1947 were both over ten years old. This was to be a complete renovation for the purpose of adding comfort and beauty. After these trains were finished, the other units were to be reworked as fast as the shops could do the work.

During 1947, the Gulf Transport Company acquired the franchise of the Dunbar Trucking Company. This purchase added 790 highway miles to the lines, primarily in the area between St. Louis and Chicago. Some of the Gulf Transport's bus mileage which had proven unremunerative was dropped during the year so that bus highway miles dropped from 1,622 in 1946 to 1,494 in 1947.[8]

In several other ways the GM&O was trying to make itself at home in the former Alton territory. The road wanted to be connected with some type of agricultural development program in this area, even though agricultural production in Illinois and Missouri has been very high for many many years. The program which was worked out was described in the *News* of September 15, 1947. The announcement said:

> In order to give recognition to farm men and women who have made worthy contributions to a more satisfactory living on their farms and in their communities, the Gulf, Mobile and Ohio Railroad in co-operation with the University of Illinois and University of Missouri Extension Services will institute a Farm Family of the Year award honoring selected agricultural families in the two states. The winners will be given a five-day trip, May 9–13, 1948, in the Deep South, visiting Mobile, the Gulf Coast, and New Orleans. . . .

The Gulf, Mobile and Ohio Land Company earned $32,673 in 1947, principally from oil royalties.[9] The Company sold 27,294 acres of its land in Wayne and Greene counties, Mississippi, but it retained 100 per cent of its mineral rights. At the end of 1947 there were twenty producing wells on the Company's property.

The GM&O's equity in equipment was increased by $5,443,641 during 1947. At the same time, the company had to issue $6,998,929 in equipment trust certificates and conditional sales agreements to help finance the flood of new equipment which arrived during the year.

The Alton merger had hardly been consummated before new

rumors began circulating about additional mergers for the GM&O. Finally, in the August 15 issue of the *News,* Mr. Tigrett announced that talks were being carried on between the controlling interests of the St. Louis–San Francisco Railway and the GM&O which might lead to the merging of these companies. No other announcement was ever made, but these conversations failed to develop a basis for consolidation. The matter apparently has been shelved completely by the Frisco management, for since that time the Frisco has acquired control of the Alabama, Tennessee and Northern Railroad which connects the Frisco line at Aliceville, Alabama, with the port of Mobile.

The retirement of Vice-President and General Counsel J. N. Flowers was announced to the Board on December 16. Mr. Flowers had been associated with the management of the GM&O and its predecessors for forty-two years, so this action was not entirely unexpected, but it brought up sad memories nevertheless. It also emphasized a problem which Mr. Hicks asked the Board to consider at this same December meeting. Most of the executives of the GM&O had been with the road or its predecessors for many years. This was also true of a majority of the salaried personnel. The Board was asked to study ways of properly compensating these salaried employees through some type of retirement program. A committee of Board members was selected to begin work on this problem, which would become more important as the ages of these employees increased.

At this same meeting of the Directors on December 16, the Board took a step which proved most popular with the Board and the common stockholders of the company. A dividend of 50 cents per share was voted on the common stock of the Company and was to be paid on January 15, 1948. This was an event that both the Board and the management had been looking forward to for thirty years. Mr. Tigrett was the only member of the Board of the GM&N of 1917 who was still active with the company. There were many stockholders, however, who had held on for that entire period, trusting that the decisions made in 1915–17 would someday prove to be correct. The basic goal of the Company had never changed, although its policies and direction had been altered by the force of circumstances. At long last the GM&O was a well-established, through rail system, operating between the Gulf ports and the nation's biggest rail center at Chicago.

Ready for the road.



New type wood-rack car for growing paper industry developed by GM&O.





Steam engines scrapped as GM&O becomes the first major road to completely dieselize. (Courtesy *Life* © *Time,* Inc.)

Above: GM&O inaugurates the first post-mobile by private carrier in its territory. *Below:* GM&O pioneered co-ordinated rail-highway service.

FIRST FULL YEAR WITH THE ALTON ROUTE—1948

The year 1948 opened on a note of continuing progress on the GM&O. During 1947 the road had almost completed new teletype and telephone systems for the entire territory. These systems, finished in the first weeks of 1948, were put in service immediately. The teletype system was put in to speed the flow of information on traffic moving over the road. Because of this speedier service, the traffic department was able to give much more complete information as to the handling of shipments, their time of arrival, etc.

The year's operations brought added proof of the value of the Alton–GM&O merger. During 1948 and later years, the amount of interchange business between the Alton sector and the former GM&O sector exceeded the conservative predictions of the GM&O Traffic Department. Assistant Vice-President De Villiers summarized this phase of the Company's operations in hearings before the Interstate Commerce Commission in 1950. The pertinent part of his testimony is reproduced in Figure 20.

PROPOSAL TO SELL THE KANSAS CITY LINE

On March 4, 1948, the GM&O filed a petition with the Interstate Commerce Commission asking for permission to transfer its ownership of the Kansas City, St. Louis and Chicago Railroad to the Chicago, Burlington and Quincy and the Atchison, Topeka and Santa Fe (Santa Fe).[10] This was the outcome of the negotiations which began before the GM&O asked to merge with the Alton. Mr. Budd of the Burlington had been interested in this Kansas City line of the Alton from the start. The plan was an involved one, but basically the GM&O would turn over control of the line from Rock Creek Junction to Mexico, Missouri, to the Burlington. The GM&O would retain traffic rights over the line under the plan. The Burlington and the Santa Fe were proposing to spend millions of dollars to improve the line in order to make it suitable for high-speed passenger and freight service. The Santa Fe was to use this line and the Burlington's line from Francis to St. Louis for the purpose of entering St. Louis with both passenger and freight service. The Burlington and the Santa Fe were to run joint passenger trains over the line, but their freight service would be handled separately.

Because of its help in getting the Santa Fe a high-speed line into St. Louis, the Burlington was to get trackage rights over the Santa Fe from Bucklin to Birmingham, which is just outside of Kansas

Excerpts from Testimony of E. B. DeVilliers in Hearings, ICC Finance Docket Nos. 16989, 16990

Prior to July, 1938, the interchange at Jackson, Tennessee between the GM&N and the M&O ran from 150 to 300 cars per month, but when the route into Paducah was discontinued the interchange with the M&O at Jackson, Tenn. shot upward at a rapid pace, and before the end of the year 1938, practically equalled the previous interchange between the GM&N and its connections at Paducah, Ky. I mention this particularly to show that we were successful in influencing the routing, not only via the junction that we chose but also via a particular carrier beyond the junction in spite of the fact that there were two other carriers operating from Jackson, Tenn. competing for the traffic . . . in connection with our recent acquisition of the Alton R. R. We made a study of the traffic of both the GM&O and the Alton, the purpose being to forecast what added traffic and revenues the combined lines could secure; what traffic then being received from or delivered to connections other than each other, could be secured for a longer haul, and what traffic would be lost in the event of the acquisition. . . . We estimated that the added revenue to the combined lines from a longer haul on traffic they were handling would amount to $2,729,000 annually. This estimate was based upon the ability of the two lines when put together, to influence a longer haul on approximately 47,000 cars annually, . . . During the first 6 months of 1948, or less than 1 year after the merger, we handled 27,707 cars from one segment of the line to the other, or at the rate of about 55,400 cars annually as compared with a total of 9,610 cars interchanged between the two lines during the whole year of 1945. . . . In May, 1950, . . . even with the drop in business we handled 4,575 cars from one segment of the line to the other, or at the rate of 54,900 cars annually.

Figure 20

City. This would improve the Burlington's Kansas City to Chicago service immensely by reducing its total mileage and by eliminating a 40-mile stretch of rough, crooked track between Cameron and Birmingham. In effect, the Santa Fe was helping the Burlington get a more competitive line to Chicago in exchange for getting into St. Louis over lines the Burlington would control or own.

As one might expect, there was much discussion over this three-

cornered proposition. The GM&O's prime interest was to divest itself of the Kansas City line, which did not seem to fit in with the north-south character of the GM&O's main operations. At the same time, it was keeping the right to solicit and haul freight from Kansas City to Springfield, Bloomington, and Chicago, as well as St. Louis. The Alton's Kansas City line was known by all operating men to be rolling and crooked, and therefore expensive to operate. The Santa Fe and the Burlington proposed to remedy this at their own expense and still let the GM&O use the line for through freight.

The principal opposition to the whole plan came from four of the carriers which served St. Louis. The Missouri Pacific, the Chicago, Rock Island and Pacific (Rock Island) the Frisco and the Cotton Belt Route seemed to think that the entry of the Santa Fe into St. Louis would bankrupt all of them. These roads apparently did not object to the Burlington's use of the line or to the Burlington's getting a better line into Chicago.

The attorney general of Illinois opposed the proposal because he felt that the GM&O would lose business to the Burlington, and that the agreement would imperil the profitable operation of the GM&O through Illinois, which might lead eventually to abandonment of some of the GM&O's mileage in southwestern Illinois.

The case was fought primarily on the question of the Santa Fe's entry into St. Louis, and on July 6, 1948, the Commission ruled against the entire proposal because of the prospective loss of business by the southwestern lines. It was felt that the potential injury to these lines would do excessive damage to the general rail structure in the area. The entry of the Santa Fe would not greatly improve service into St. Louis; therefore the petition was denied. Three of the commissioners dissented, however, and stated that the potential losses were exaggerated, that the Santa Fe entry into St. Louis would improve transportation service, and that the proposal should be granted.

Because all of the phases of the proposal were interlocking and each was dependent on ICC approval for the entire project, the plan collapsed when the Commission rejected the Santa Fe's entry into St. Louis. The Burlington, however, was still interested in using the Kansas City, St. Louis and Chicago line to speed up its service into St. Louis.[11] The GM&O agreed to rehabilitate the line as soon as possible so that the Burlington could run 5½-hour schedules from Rock Creek Junction to Francis. The Burlington agreed to pay (1)

50 per cent of the interest on the $2,093,800 of the Kansas City, St. Louis and Chicago bonds which were outstanding, (2) 2 per cent per annum on the cost of additions and betterments on the line, (3) 50 per cent of the joint taxes on the line, and (4) the Burlington's share of joint maintenance with a minimum annual payment of 30 per cent of the total.

In keeping with these plans to improve the line, the GM&O in October, 1948, applied to the Commission for authority to acquire directly all of the properties of the Kansas City, St. Louis and Chicago and to dissolve that company. It was not until 1949, however, that the Commission gave its permission to dissolve the company and to execute the Burlington trackage agreement.

By the end of 1948, the GM&O had received two more Diesel road switchers out of 16 units ordered that year. With these units in service the road was moving 96.68 per cent of all road-hauled freight by Diesels, 76.35 per cent of all yard switching was being done by Diesels, and 99.50 per cent of all passenger service was Diesel powered. Only one small combination passenger and freight run was steam powered, and so only .50 per cent of "passenger" service was not Dieselized.[12]

The Gulf, Mobile and Ohio Land Company had 33 producing wells on its land by the end of 1948 and showed a net profit of about $95,000. The GM&O was still making much more out of hauling oil over its rails than it was from its producing wells. There were few, if any, indications that the GM&O would ever become another Union Pacific or Northern Pacific with fabulous oil lands producing tremendous wealth for the benefit of the railroad treasury.

1949

Operating revenues of most railroads moved downward in 1949, and the GM&O was no exception. Its revenues dropped almost $8,000,000, but its expenses declined by only a little over $4,000,000. The result was a rise in the operating ratio from 73.77 per cent in 1948 to 76.26 per cent in 1949. It is interesting to note that it was not transportation expenses which forced the operating ratio up. The transportation ratio in 1948 was 32.11 per cent; in 1949 it was held to the close figure of 32.30 per cent in spite of declining revenues.[13] This performance must be credited partly to the further expansion of Diesel operations and partly to the tight system of operations control which the GM&O had developed over the years.

The operating department had learned somehow to hold transportation costs down when revenues were down. Probably one of the best devices in this effort was the elaborate and speedy system of reporting operating expenses to the Mobile office. With this information constantly before him, General Manager Brock usually was able to find some way to keep expenses in check.

After much delay, the road in 1949 finally received most of the equipment it had ordered in 1947 and 1948. Twenty Diesel road switchers, 14 Diesel road freight units, and 1 Diesel passenger unit were received. This enabled the road to convert all of its lines and operations to Diesel power. On Friday, October 7, 1949, the last steam locomotive on the road was replaced with one of the new Diesel units.

The road also received 450 gondolas of 50-ton capacity, 50 mill type 70-ton gondolas, 300 box cars, 500 open hopper cars and 50 covered hopper cars. The 4 light-weight roomette sleeping cars were still undelivered at the end of 1949. In the annual report for 1949, management pointed out that 73 per cent of all the GM&O freight handling equipment was ten years or less of age, a truly remarkable situation for a major railroad.

The operating department experimented with head end–rear end radio by installing equipment on five locomotives and seven cabooses. This equipment was to be used primarily on the run between Roodhouse and Kansas City, because of the great length of the trains on this part of the line. All of the GM&O's business between St. Louis and Chicago and Kansas City was consolidated on the trains through this section, and this resulted in very heavy movements in most instances.

Additional work was done on the telephone lines of the road as 787 miles of new circuits were installed. Forty-six miles of 90-pound rail were laid in track, along with 20 miles of 112-pound rail and 28 miles of 115-pound rail. The 115-pound rail in reality was not much different from the 112-pound but was a new pattern with approximately the same strength. The road has finally adopted the 115-pound style for regular use on all of the heavily traveled sections of the line.

The Gulf Transport Company decreased its miles traveled by about 12 per cent, but its revenues decreased by approximately 16 per cent. It also was feeling the downturn in transportation business which was so evident in 1949.

The Gulf, Mobile and Ohio Land Company kept its revenue up, with a net of $100,357 earned from 37 producing wells.

After receiving ICC approval, the GM&O made final plans to start the Burlington trackage agreement on August 1, 1949.[14] It was estimated that the GM&O would receive approximately $375,000 per year under the agreement after the line between Kansas City and Francis had been improved. Also with ICC approval, the GM&O dissolved both the Kansas City, St. Louis and Chicago and the Louisiana and Mississippi River railroads.[15] This left only the Joliet and Chicago Railroad of the three former subsidiary companies in the Alton system.

Even though the road did not earn as great a net income in 1949 as it did in 1948, the Board felt justified in continuing the dividends of 50 cents per share on the common stock of the Company. This indicated that the management of the road was not too disturbed by the turn of events during this "recession" year.

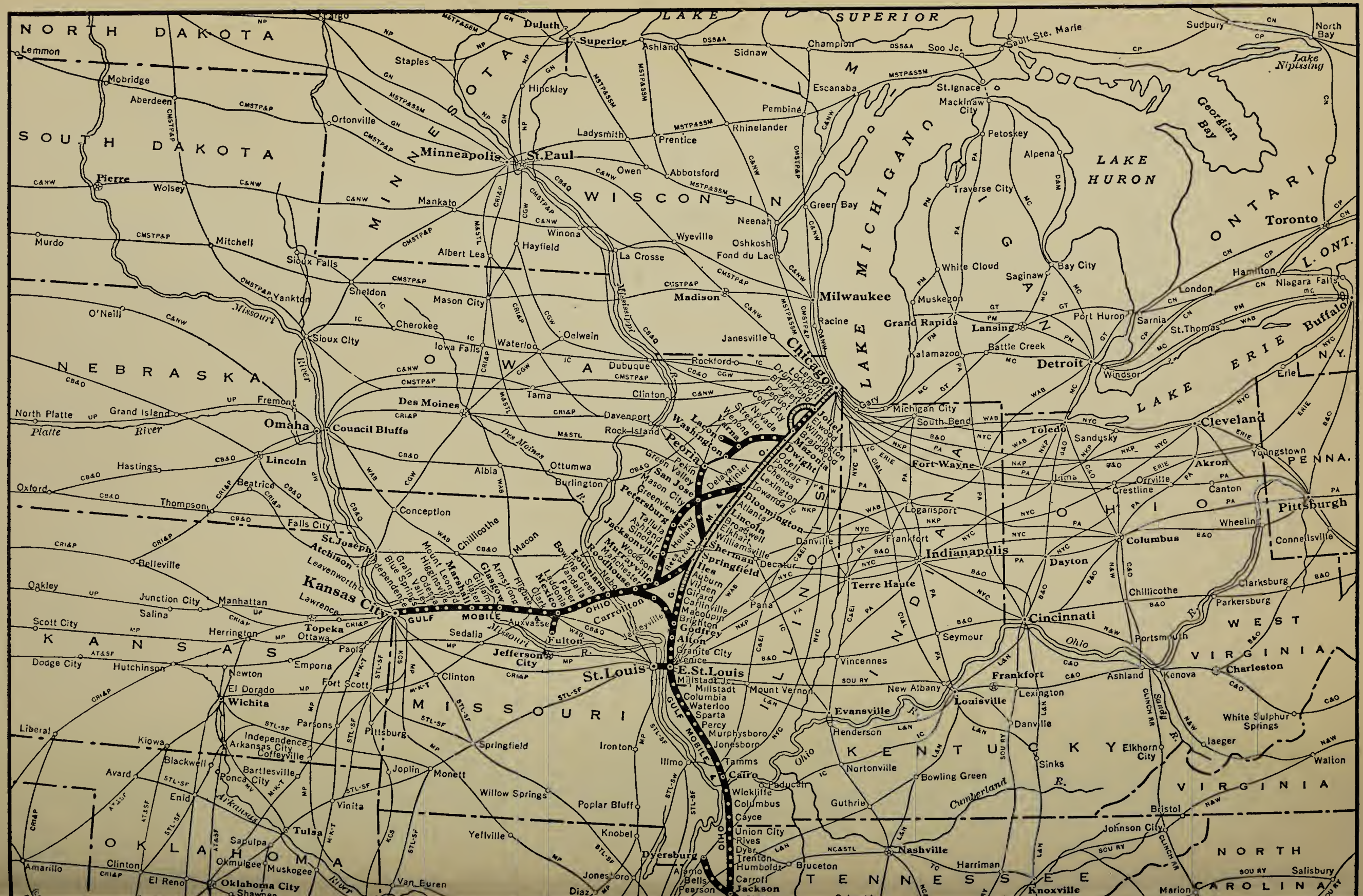
CHAPTER · XVI

The Gulf, Mobile and Ohio Railroad of 1950-52

THE year 1950 marks the financial coming-of-age of America's newest major rail system. In that year, the Gulf, Mobile and Ohio had less railway operating revenue than in its peak revenue year of 1948, but its net income, after fixed and contingent charges, was almost two million dollars greater.[1] President Tigrett was quick to point out that more than one and one-half million of this eight million dollar net income was of a special nonrecurring nature, and for this and other reasons the Company did not drastically increase its dividend payments. Many of the students and observers of railroad affairs felt that the GM&O operations for 1950 proved conclusively that the merger program carried out by the Company during the preceding years had been tested and found satisfactory.

Further evidence of the success of the consolidations of the Company came in the years 1951 and 1952. In 1951 the Company showed a net income of almost $6,640,000, which compared quite favorably with the net income of 1950, when the nonrecurring special payments were excluded. The net income for 1952 was $7,785,000, only $215,000 less than the record-breaking net for 1950.

The name GM&O no longer offers much of a clue to the territory served by the 2,800-mile transportation system. The port of Mobile, Alabama, near the waters of the Gulf of Mexico, is still the home office for the management of the road, but the only contact with Ohio is the crossing of that river at Cairo, Illinois. As the map on page 208 shows, two parallel lines extend in a northerly direction from Mobile through Mississippi and converge again into one line


NORTH DAKOTA
SOUTH DAKOTA
NEBRASKA
KANSAS
OKLAHOMA
MINNESOTA
IOWA
MISSOURI
WISCONSIN
ILLINOIS
MICHIGAN
INDIANA
OHIO
KENTUCKY
TENNESSEE
WEST VIRGINIA
NORTH CAROLINA
PENNA.
ONTARIO
L. ONT.
LAKE SUPERIOR
LAKE MICHIGAN
LAKE HURON
LAKE ERIE
Georgian Bay
Lake Nipissing
Missouri R.
Mississippi R.
Ohio R.
Platte River
Arkansas River
Cumberland R.
Big Sandy R.
Fargo
Duluth
Superior
Ashland
Sidnaw
Champion
Soo Jc.
Sault Ste. Marie
Sudbury
North Bay
Lemmon
Mobridge
Aberdeen
Staples
Hinckley
Escanaba
St. Ignace
Mackinaw City
Ortonville
Ladysmith
Prentice
Rhinelander
Pembine
Petoskey
Alpena
Minneapolis
St. Paul
Owen
Abbotsford
Pierre
Wolsey
Mankato
Winona
Green Bay
Neenah
Traverse City
Toronto
Murdo
Mitchell
Hayfield
Wyeville
Oshkosh
Fond du Lac
Albert Lea
La Crosse
Sioux Falls
Sheldon
Yankton
Madison
Milwaukee
Racine
White Cloud
Saginaw
Bay City
Hamilton
Niagara Falls
Buffalo
O'Neill
Mason City
Cherokee
Janesville
Muskegon
Grand Rapids
Lansing
Port Huron
London
Sarnia
St. Thomas
Sioux City
Iowa Falls
Waterloo
Oelwein
Rockford
Chicago
Battle Creek
Kalamazoo
Detroit
Windsor
Erie
Dubuque
Tama
Clinton
Gary
Michigan City
South Bend
Cleveland
Toledo
Sandusky
Fremont
Des Moines
Davenport
Rock Island
Peoria
Joliet
Elwood
Streator
Nevada
Coal City
Pontiac
Dwight
Mazonia
Braidwood
Lacon
Washington
Wenona
Varna
Fort Wayne
Akron
Youngstown
North Platte
Grand Island
Omaha
Council Bluffs
Lincoln
Hastings
Albia
Ottumwa
Burlington
Green Valley
Pekin
San Jose
Mason City
Greenview
Petersburg
Delavan
Minier
Bloomington
Atlanta
Lincoln
Broadwell
Elkhart
Williamsville
Sherman
Springfield
Decatur
Logansport
Frankfort
Indianapolis
Dayton
Columbus
Crestline
Orrville
Canton
Pittsburgh
Wheeling
Connellsville
Oxford
Thompson
Falls City
Beatrice
Conception
Chillicothe
Macon
Danville
Terre Haute
Clarksburg
Parkersburg
Belleville
St. Joseph
Atchison
Leavenworth
Kansas City
Lawrence
Auxvasse
Fulton
Jefferson City
Pana
Cincinnati
Seymour
Portsmouth
Oakley
Junction City
Manhattan
Salina
Topeka
Ottawa
Paola
Sedalia
Carrollton
Alton
Granite City
Venice
Vincennes
Scott City
Herrington
Dodge City
Hutchinson
Emporia
Newton
El Dorado
Wichita
Fort Scott
Clinton
St. Louis
E. St. Louis
Millstadt Jc.
Millstadt
Columbia
Waterloo
Sparta
Percy
Murphysboro
Jonesboro
Mount Vernon
New Albany
Frankfort
Lexington
Ashland
Kenova
Charleston
Seymour
Evansville
Louisville
Danville
Liberal
Kiowa
Blackwell
Parsons
Pittsburg
Springfield
Ironton
Illmo
Cairo
Paducan
Henderson
Nortonville
Bowling Green
Sinks
Elkhorn City
White Sulphur Springs
Jaeger
Walton
Independence
Arkansas City
Coffeyville
Avard
Bartlesville
Ponca City
Joplin
Monett
Willow Springs
Poplar Bluff
Wickliffe
Columbus
Cayce
Union City
Rives
Dyer
Trenton
Humboldt
Carroll
Jackson
Bruceton
Harriman
Nashville
Guthrie
Bristol
Johnson City
Knoxville
Salisbury
Marion
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El Reno
Oklahoma City
Shawnee
Van Buren
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Joliet
Elwood
Streator
Nevada
Coal City
Pontiac
Dwight
Mazonia
Braidwood
Lacon
Washington
Wenona
Varna
Fort Wayne
Akron
Youngstown
Gary
Michigan City
South Bend
Cleveland
Toledo
Sandusky
Fremont
Dubuque
Tama
Clinton
Rockford
Chicago
Battle Creek
Kalamazoo
Detroit
Windsor
Erie
Buffalo
Muskegon
Grand Rapids
Lansing
Port Huron
London
Sarnia
St. Thomas
Hamilton
Niagara Falls
Toronto
Milwaukee
Racine
Madison
Janesville
Sioux City
Iowa Falls
Waterloo
Oelwein
Cherokee
Mason City
Albert Lea
Hayfield
Winona
Wyeville
Oshkosh
Fond du Lac
La Crosse
Sioux Falls
Sheldon
Yankton
O'Neill
Mitchell
Murdo
Pierre
Wolsey
Mankato
Green Bay
Neenah
Traverse City
Petoskey
Alpena
Mackinaw City
St. Ignace
Escanaba
Sidnaw
Champion
Soo Jc.
Sault Ste. Marie
Sudbury
North Bay
Lemmon
Mobridge
Aberdeen
Staples
Hinckley
Ortonville
Ladysmith
Prentice
Rhinelander
Pembine
Minneapolis
St. Paul
Owen
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Duluth
Superior
Ashland
Fargo



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4-23-'52 POOLE BROS. INC., CHICAGO

at Jackson, Tennessee, the "spiritual home" of the GM&O. Before these lines leave Mississippi, however, several very important offshoots occur. The first of these to be reached after leaving Mobile is the line from Union, Mississippi, west to Jackson, Mississippi, and then south through Columbia, Mississippi, and Bogalusa, Louisiana, to New Orleans.

Another line extends from Artesia, Mississippi, eastward to Columbus, Mississippi, thence east and slightly south to Tuscaloosa, Alabama. From this point the line goes on down to Montgomery, the capital city of Alabama. From Tuscaloosa, the GM&O, as of March 13, 1952, also has trackage rights and operates freight service over the Louisville and Nashville line into Birmingham. This route is now in operation instead of the one formerly used, from Corinth down to Birmingham over the tracks of the Illinois Central and the Southern Railway.

Corinth, Mississippi, is the junction point on the GM&O for a freight route which runs west to Memphis, Tennessee. All of this route is owned by the Southern and is used by the GM&O under trackage agreement. This operation is not permitted to stop for local freight at stations not served by the main lines of the GM&O.

North of Jackson, Tennessee, the road runs through western Tennessee and Kentucky, crosses the Ohio into Illinois just above Cairo, and runs northwestward from "Little Egypt" to St. Louis, Missouri. This was the northern terminus of the GM&O from 1940 until its 1947 merger with the long-famous Alton Railroad, which now carries the GM&O northward to Chicago and west to Kansas City, Missouri. Near the namesake city of Alton, Illinois, the track again separates into two main lines. One goes north and slightly east, to Springfield, Bloomington, Joliet, and Chicago. The other line from Alton goes north and slightly westward, to Roodhouse, Illinois. From this important junction point, the road once more goes in two directions. One lines goes west to Kansas City by way of Louisiana, Mexico, and Glasgow, Missouri. The other line out of Roodhouse stays entirely in Illinois. It goes northeast to Murrayville, Jacksonville, and San Jose, turns eastward at that point, and rejoins the main line at Bloomington.

The so-called "air line" cutoff runs between Murrayville and Iles, a point on the main line just south of Springfield. This line was built to eliminate the Bloomington–San Jose–Jacksonville route from the through freight service between Chicago and Kansas City.

This outline of the territory served by the GM&O is by no means complete, for it omits many local branches which are important feeder lines in the system, especially in the old Alton territory. Seven states in the central Mississippi Valley are traversed by the lines of the road, and Mississippi's 906 miles of main track are almost equalled by Illinois' 857 miles. The other states in order are: Alabama, with 392 miles; Tennessee, with 296 miles; Missouri, with 255 miles; Louisiana, with 150 miles; and Kentucky, with 43 miles.

Transportation service of the GM&O does not stop with its rail offerings. All of the lines owned by the Company, except those from Mexico, Missouri, to Kansas City, are paralleled by the routes of the Gulf Transport Company, the completely owned highway subsidiary. In addition to truck service, the Gulf Transport Company offers bus service throughout most of the GM&O territory south of St. Louis. The Company is proud of the fact that, in spite of the low passenger density of some of its areas, none of its territory has been stripped completely of its rail passenger service without making provisions to operate bus service as a substitute measure. In keeping with this plan of substituted service, the Gulf Transport Company began a highway mail service in 1946 to territories no longer reached by railway mail service. This program has become very popular with small communities and with the Post Office Department as a valuable method of operation in predominately rural areas.

The GM&O provides transportation services only in its seven-state area. The traffic department of the road, however, has solicitation offices in twenty-five key cities which are not on the company's rail lines. These offices strive to get shippers in these scattered points to use the GM&O for their freight when it is feasible to do so. Other employees of the Traffic Department in the nineteen offices on the line actively solicit business in the "home" territory of the road and in points where there is no rail competition.

The GM&O, as is true with most railroads, handles hundreds of categories of freight. It is obligated, as a common carrier, to transport almost anything which the public seeks to have moved from place to place. Like most other businesses, however, the GM&O finds that a majority of its business is regular, repeat order business. For instance, in 1951 the road handled twenty-five categories of freight, each of which produced more than one million dollars in gross revenue for the road. These twenty-five categories which

brought in almost half of the total freight revenue, are listed in Table 4.

TABLE 4

FREIGHT ITEMS HAULED IN 1951 WHICH BROUGHT IN GROSS REVENUES TO THE GM&O OF MORE THAN $1,000,000

1. Lumber, shingles, and lath
2. Bituminous coal
3. Phosphate rock
4. Bananas, fresh
5. Paperboard, fiberboard, and pulpwood
6. Manufactured iron and Steel
7. Iron and steel pipe and fittings
8. Pulpwood
9. Gravel and sand
10. Refractories
11. Wheat
12. Sodium (Soda) products
13. Ammunition and explosives
14. Food products, in cans and packages, not frozen
15. Flour, wheat
16. Wrapping paper
17. Corn
18. Feed, animal and poultry
19. Fertilizers
20. Wallboard
21. Manufactures and miscellaneous, NOS*
22. Petroleum products, refined
23. Cotton, in bales
24. Machinery and machines
25. Chemicals

* Not Otherwise Specified

Source: GM&O, *Annual Report 1951.*

Among the six major freight classifications of the Interstate Commerce Commission, manufactures and miscellaneous items for the year 1951 brought in almost 54 per cent of all freight revenue. Products of agriculture brought in about 15 per cent and was the next most important grouping. The other four in order were: products of mines, almost 15 per cent; products of forests, almost 12 per cent; L.C.L. freight, just over 3 per cent; and animals and products, not quite 2 per cent. It should be noted that this is a breakdown of total revenue and not profitability to the railroad.

Passenger train revenue, which includes revenue from mail and express, amounted to a little more than $8,600,000 in 1951, which was a slight increase over 1950. The 1952 passenger revenue of about $8,080,000 shows that the long-term downward trend of passenger revenues has been resumed, after a temporary upturn caused by the outbreak of the Korean War. By far the heaviest portion of this passenger revenue was earned in the territory between St. Louis and Chicago, where the Alton for years has been the leader in passenger service.

Throughout these years, the GM&O continued to press for relief from passenger train operations which seemingly could not be made profitable. One passenger run in the state of Illinois was discontinued early in 1951, and in December of that year the local trains from Jackson, Tennessee, to Meridian, Mississippi, were removed

from operation. The road was proud of the fact that not a single person opposed the latter removal, even though hearings were held both in Tennessee and Mississippi before the state commissions would agree to discontinue this run.

The Company abandoned operations on the 21-mile East Hardin branch in the state of Illinois on December 27, 1951. This branch had been operated at a loss for years before the GM&O acquired the Alton, and it has never paid its expenses since the GM&O assumed control. The Interstate Commerce Commission finally authorized the discontinuance of operations as the only solution to the problem.

In order to handle all its rail services in 1951, the GM&O had a monthly average of 10,354 employees who received an annual wage total of $40,913,000 during the year. The Company owned and operated 246 Diesel locomotives, 11,781 freight cars of all types, as well as 218 passenger cars, coach chair cars, and Pullmans. A total of 823 Company service cars were used to maintain the road in good operating condition. The total tax bill of the road, $11,235,000, was almost twice as high as the 1951 net income of $6,639,000.

Although the road may have come of age financially in 1950, this does not mean that the Company was no longer interested in improving its operations. On June 20, 1950, the Joliet and Chicago Railroad Company was dissolved, with ICC approval. This action did away with the last of the subsidiary or leased lines of the old Alton. With this change, the GM&O and the New Orleans Great Northern became the only corporations in existence in the whole GM&O system. Simplification of corporate structure has about reached its logical conclusion on the GM&O as it is now constituted.

The territory development activities of the road continued throughout these years. The Company's programs for happier living, territory reforestation, and better agricultural activity were well received, as usual. For example, a Better Living Contest for Negro 4-H Club girls attracted 800 entrants, and the road awarded $1,000 in prizes.[2] The contestants were judged for: (1) improvement of the outside appearance of farm homes, (2) improvement of outbuildings and immediate surroundings, (3) bedroom improvements, (4) planning and arrangement of ground, and (5) club and community activity.

The woodland improvement program for 4-H Club boys, which was sponsored by the road along with other institutions, was another example of this type of service. The *News* for September 15, 1951, re-

ported that 90,000 pine seedlings had been planted in Tuscaloosa County, Alabama, in the past three years under the auspices of the GM&O and the Tuscaloosa Kiwanis Club. Seedlings for the project were provided by the Gulf States Paper Corporation. This county program was one of twenty-five which were cosponsored by the GM&O for 4-H Club and FFA boys. The projects included reforestation, timber protection, timber harvesting and marketing.

These two examples of many such programs illustrate the constant interest of the road in efforts to improve the living standards of the people along the lines of the Company. There will be little immediate financial return to the GM&O for these activities, but the long-run potentialities of this type of citizenship are immense.

For many years the GM&O has had a program under way which endeavors to restore some of its own employees to productive and happy living. This is the assignment of an employee consultant whose task is to assist employees who are in need of help in solving such personal problems as might arise in the lives of any of us. For a number of years, the consultant has been Mr. Biscoe Seals, who works out of the Jackson, Tennessee, office of the Company. A complete account of this activity was published in the *Jackson* (Tennessee) *Sun* recently, and the more important parts of this story are reproduced in Figure 21.

Another forward-looking effort of the GM&O in 1950 attracted much attention. Since 1940, the GM&O had wanted to acquire better and cheaper trackage rights into Birmingham, Alabama. Some thought had been given in 1940 to the possibility of dropping the Mobile and Ohio's perpetual contract to use the IC's tracks from Ruslor (Corinth), Mississippi, to Haleyville, Alabama. At that time, however, the management decided to hold onto the contract in order not to create further problems for the merger program of 1940. Once the GM&O was formed, attention was given to acquiring a more serviceable route for entry to Birmingham. At one time, the GM&O was about ready to request permission to build its own line from Tuscaloosa, or some point near that city, to the steel center. Finally a satisfactory lease agreement was reached with the L&N, which has a freight service line from Tuscaloosa to Birmingham. Armed with an agreement between itself and the L&N, the GM&O proceeded, in 1950, to request the Interstate Commerce Commission to allow it to cancel its perpetual contract with the IC and its term contract with the Southern. The GM&O was using the Southern's tracks from

GM&O HELPS EMPLOYEES SOLVE PROBLEMS

Excerpts from a Reprint from *Jackson* (Tennessee) *Sun* in *GM&O News* April 15, 1952

Gulf, Mobile and Ohio Railroad Co., employees, like other people, have their personal troubles.

Many of their worries, as with other workers, stem from or involve finances.

GM&O men, however, have one big advantage—they can turn their troubles over to a company official, and sleep soundly again.

All up and down the 3,000-mile system GM&O men turn to Biscoe Seals of Jackson, Employee Consultant, with their troubles.

The GM&O does not lend money to these men.

The man in debt who asks for help is asked first of all to list his debts and creditors in detail. That means, every single penny that he owes.

Seals and the man then work out a budget, setting down every cent of necessary expense for the man and his family. (If the man has children in school, books, lunches, clothing and incidentals are included.)

To that basic budget Seals adds an amount sufficient to take care of the family's clothing and incidental needs for the period necessary to retire the debts.

The man then assigns to Seals his present and future wages or salary—and goes on about his daily life without further worry.

It's Seals job then to work out an arrangement with the man's creditors whereby they are paid a pro rata part each month of the man's earning that month after deduction of the amount necessary for the man and his family to live.

He shows them [the creditors] the budget worked out for that particular employee, points out that the man has agreed to spend for only essential living expenses, and that all the rest of his income will be distributed by Seals each month to the creditors until the debts are retired.

Seals calls attention to the fact that about 90 per cent of railroad employees work on a "piecework" basis. That is, they work by the hour, mile or day. If they are sick and have to lay off, or if they are not called, their pay check will be smaller than it will be if they are busy throughout the month.

He shows the merchant that an acceptance of the suggested arrangement is good business, because it helps the creditor collect his money and rehabilitates a customer. It also prevents many bankruptcies, garnishments and other unpleasant and costly action.

FIGURE 21

Haleyville to Birmingham, but this contract was subject to periodic revision. Its terms were not so onerous as the one with the IC, which was made years earlier by the managers of the M&O, before it went into receivership.

Hearings for the GM&O's request to change its route into Birmingham were held in Birmingham before ICC Examiner Lyle. The case was listed as Finance Docket Nos. 16989–90 and was heard on October 11, 1950. Mr. Hicks served as the principal witness for the GM&O. He asserted that the GM&O was not trying to injure the IC but was attempting only to improve conditions on the GM&O. His testimony showed that three alternative proposals had been made to counterbalance possible financial loss to the IC, but that up to the time of the hearings all three alternatives had been rejected.[3] Alternative No. 1 proposed that the GM&O would lease a 19-mile section of IC track from a point near Moscow, Kentucky, to Winford, Kentucky. The GM&O was willing to pay about as much to the IC for this 19-mile section as it has been paying for use of the 80-mile stretch from Ruslor to Haleyville. By using this sector of the IC line, the GM&O would be able to abandon its own track, which roughly parallels that of the IC. The GM&O's line in this sector is between the IC line and the Mississippi River; hence its (GM&O's) line is difficult to maintain, and the GM&O would be happy to abandon it if the IC line should become available.

Alternative No. 2 was for the GM&O to sell its Dyersburg Branch (the old Birmingham and Northwestern) to the IC "on reasonable and satisfactory terms." Since the IC already operates most of the train service out of Dyersburg, this line, if bought cheaply enough, could supplement the position of the IC in the area.

Alternative No. 3 was for the GM&O to pay the IC an amount approximately equal to rent, taxes, and interest payments on the Ruslor-Haleyville line (about $143,000 annually) for the next fifteen years, even though the GM&O ceased using the line immediately.

During the hearings, the GM&O made it plain that, even though it were not relieved of the Ruslor-Haleyville contract, it still wanted ICC permission to enter Birmingham over the L&N line from Tuscaloosa. Under this arrangement, the GM&O would have to operate only 55 miles of "foreign" lines. The GM&O estimated that it would add approximately $200,000 in net revenues from *present* business if it were allowed to use the L&N entry. Although the GM&O confidently expects to move a large amount of iron ore from Mobile to

Above: Chairman Tigrett (seated), President Hicks (right), and Executive Vice-President and General Manager Brock as they assumed these new corporate offices in 1952. *Right:* GM&O's General Office building (to rear of building with pillars) in downtown Mobile.







Above: Busy yards and part of shop at Bloomington, Illinois. *Left:* A modern ticket office in the GM&O station at Springfield, Illinois.

Birmingham, no estimate of this or other added revenue was used to strengthen the case for dropping the IC contract.

Both parties of the controversy filed briefs with the Commission in support of their case after the hearings were completed. Attorney Y. D. Lott's brief so clearly illustrates the position of the GM&O that one paragraph is quoted below:

> Gulf, Mobile and Ohio and Mobile and Ohio have performed under the IC Contract for more than 45 years. Nevertheless, IC relies largely if not exclusively upon contractual provisions which may well have violated public policy when written and which certainly are inconsistent with present needs resulting from vastly changed circumstances. Surely if perpetual obligations were treated by our common law courts as inimical to the public interest, they must be so regarded today. Such contractual provisions seeking to freeze in perpetuity important areas of railroad operation violate the spirit and purpose of the act, since such provisions, if enforced, would prevent the railroads themselves from making changes necessary to the needs of a still rapidly expanding nation.

The GM&O asked the Commission to take an action, in this case, which it had never yet performed. GM&O requested the Commission to arrange a cancellation of a "valid" contract between two solvent and competing roads. The GM&O felt that it should not be forced to live in perpetuity with a situation which is not desirable from the standpoint of its own best interests. The contract was especially onerous to the GM&O because the IC operates deluxe passenger trains over the line at speeds which often amount to 90 miles per hour. All railroad operating officials know that high-speed passenger trains require a superior type of roadbed and track.[4] Since the GM&O, by contract, paid a pro rata share of expenses determined by the IC, the GM&O felt that it is subsidizing passenger service for its rival line. Under the contract, the GM&O could not operate passenger service of any kind over the line, nor could it operate local freight service. The Company was limited to "bridge" traffic moving from Ruslor, or beyond, to Birmingham. Under the contract, the GM&O was paying to maintain a track which the IC operating department admitted to be expensive, because it is used by its crack Florida-Chicago passenger trains.

The IC, on the other hand, said that the line from Ruslor to Haleyville was not built by the IC until the M&O contract was signed. It was implied that if the contract had not been executed the IC probably never would have built the line; therefore, since it was built

partially for the purpose of serving the M&O, the M&O's successor should continue the contract in full force and effect, in perpetuity. The IC was not willing however, to allow the GM&O to determine what use would be made of the line. The GM&O was tied to a position similar to that of a junior partner or a minority stockholder, with no chance to dispose of its holdings or to be relieved of expenses except by going bankrupt.

Since the issues in this argument were so vital, the Commission was very slow to act on this matter. The hearing was closed in October, 1950, and the briefs were presented soon thereafter. In September, 1951, Examiner Lyle submitted his proposed report, in which he supported the desire of the GM&O to shift its operations. On March 13, 1952, the Commission announced its decision, which approved the request of the GM&O to cease operations over the IC–Southern line and allowed the company to enter Birmingham over the tracks of the L&N. The Commission refused to accept jurisdiction in the matter of forcing the IC to cancel or change its perpetual contract with the GM&O. The Commission disclaimed any authority over problems of this type and stated that the courts were the proper agencies to adjudicate and reach equitable settlements in such disputes. The GM&O, in keeping with this order, began use of the L&N tracks immediately and also filed court proceedings seeking to adjust the IC contract.

Another example of the GM&O's forward-looking policy has been its shift in freight facilities in the Chicago area. The Alton operated its freight terminal at its Harrison Street station, which was close to the Loop and near the center of downtown Chicago. The GM&O has changed its freight facilities to Brighton Park, which is some miles farther from the heart of the city. L.C.L. freight will henceforth be handled at Brighton Park; then it will be trucked into the commercial houses of downtown Chicago instead of being worked in the center of the city. This will give faster service at a much lower unit cost than the former operation. At the same time, all freight switching operations have been transferred to Glenn Yard, which is about twelve miles from the heart of Chicago. This will force greater reliance on motor truck pickup and co-ordination than the older operation. The Chicago terminal superintendent and his operating superiors feel, however, that any possible losses will be more than offset by speedier and more efficient handling under the new system.

One of the main reasons that this change in Chicago operating

procedure was worked out at this time was the desire of the GM&O to sell its Harrison Street property while real estate prices were high. On September 13, 1951, the old freight house and its adjoining property were sold to the federal government for $6,717,582. The site was purchased by the Post Office Department to supplement existing facilities. In addition to the cash which was received from the government, the road expected to be in a position to take a large income tax deduction from the sale. This one transaction, for a piece of property which the road no longer needed, will probably net the GM&O about one sixth of its purchase price of the Alton. The funds so obtained were immediately used to reduce the large equipment obligations which the Company has had to assume because the Alton was so lacking in equipment at the time of its purchase.

The GM&O thought that the equipment which it had in operation or on order at the close of 1949 would be sufficient for the needs of the road for some years to come, but when the Korean crisis erupted, the Company found that additional freight cars would be necessary. As a result, the Company placed orders for about $8,000,000 in new equipment before the end of 1950.[5] In the same year, the GM&O leased 100 of the new type damage-free box cars for special use. Deliveries of conventional freight cars totaled 356, which left a substantial number on order. By the end of 1951 the Company had received 544 new cars and still had 1,450 more cars on order to be delivered as soon as possible. Even these units were not considered sufficient, however, for in 1952, additional orders were placed for more 70-ton hopper cars and more pulpwood cars. The Board of Directors of the road were advised in July, 1952, that the GM&O, since its organization in 1940, had purchased $74,000,000 worth of equipment. This total included 160 Diesel road locomotives, 86 Diesel switching units, 19 passenger cars and about 11,000 freight cars of different types. Thus, all but 2 of the Diesel locomotives of the Company have been purchased since 1940, with all of the road Diesels being delivered since 1944. Of the freight car fleet, only 15 per cent, or about 2,000 cars, were purchased prior to 1940. The GM&O feels justly pleased by the newness and excellent condition of its rolling stock.

The Gulf Transport Company is still eager to try new operating procedures in the search for more business. In October 1, 1951, Gulf Transport's busses began to serve Memphis, Tennessee, in conjunction with the Dixie Greyhound Company.[6] The Gulf Transport

busses continue to operate along Mississippi Highway 15 to New Albany, Mississippi, and they go into Memphis over the franchise route of Dixie Greyhound. By this arrangement, Memphis was given direct bus connections with Mobile for the first time in the history of the Gulf Transport Company.

From outward appearances, the GM&O of 1952 had little to remind one of the Gulf, Mobile and Northern of the early twenties. Time and the improving technology of the rail industry had caused great changes. Most of the physical plant had been either rebuilt or replaced with new equipment. The shops, stations, docks, and other buildings had been scrapped or sold or so reconstituted that one would not recognize them. Maintenance and improvements to roadbed and track had removed many of the landmarks of twenty-five years ago. New Diesel locomotives had supplanted all of the old "iron horses" and new and bigger cars had replaced the rest of the rolling stock.

Toward the end of 1952 a major shift took place in the Executive Department of the Company. On November 7, Mr. A. C. Goodyear, for many years Chairman of the Board of Directors, moved to the less arduous position of Chairman of the Executive Committee. Mr. Tigrett, who had served as President since 1920, stepped into the new post of Chairman of the Corporation. As Senior Executive Officer of the Corporation he is still in direct control of the affairs of the GM&O. Frank Hicks, the former Executive Vice-President, assumed the presidency, and Glenn Brock became Executive Vice-President and General Manager.

In spite of the changes in physical appearance and in official titles, the aims and objectives of the GM&O of today are quite similar to the objectives of twenty-five or thirty years ago. Mr. Tigrett, talking to all the executives of the Company, recently stated that his personal ambition was "no less keen than twenty-five years ago to help lead the railroad into being an outstanding citizen."

The men who have spent the last quarter-century in building the GM&O into a railroad of national importance do not desire to see their handiwork destroyed. It is their desire to see the Company continue in the forefront of transportation development for the great Mississippi Valley which has given the railroad a reason to exist and to expand. These men want the GM&O, like Ole' Man River, to "just keep rolling along" as long as transportation services are needed.

PART · IV

Analysis of the Growth of the Gulf, Mobile and Ohio System

CHAPTER · XVII

Résumé of the Growth of the Gulf, Mobile and Ohio System

THE MATERIAL which has been presented in the preceding chapters has emphasized changes that have taken place in specific periods of the development of the GM&O. In this and the following two chapters the over-all period of growth will be stressed. This chapter (CHAPTER XVII) is devoted to a visual and graphic portrayal of the development of the road. The maps show the changes in the mileage and territory served by the company. The charts are designed to help the reader understand some of the financial and operating changes which have taken place in the period from 1920 to 1950. Figures for the four most important of those companies which have been merged into the GM&O have been presented, along with the parent GM&N–GM&O. Figures for the two other north-south railroads which operate east of the Mississippi River from the gulf ports of Mobile and/or New Orleans have been given also. In addition, comparative figures for all Southern District and Class I railroads of the United States have been given where they are available. In looking at these charts, one must bear in mind the fact that these railroads are not at all comparable in length of service, mileage, traffic density, or wealth. One must remember, also, that changes in basic circumstances for one road—e.g., the addition of more miles of lines—must be considered before quick comparisons are made. These charts do offer important information, however, when the rate of change for one company over a period of years is compared with the rate of change for another company.

The reader who is interested primarily in the narrative of the

history of the GM&O and its predecessors may omit the material in Chapters XVII–XIX and move directly to Chapters XX through XXIV, which are concerned with the histories of the predecessor roads and the GM&N itself, prior to 1920.

CHRONOLOGICAL RECORD OF GROWTH

(See Also Map, Page 226, and Charts, Beginning Page 227)

A. *Major Events Prior to 1920*

1. 1913–16. Reorganization of the New Orleans, Mobile and Chicago into the Gulf, Mobile and Northern.
   a. GM&N practically debt free as of January 1, 1917 (369 miles of main line).
2. 1918. Purchase of stock control of the Meridian and Memphis (32 miles) by the GM&N.
3. 1919. Completion of the extension from Middleton, Tennessee, to Jackson (40 miles).

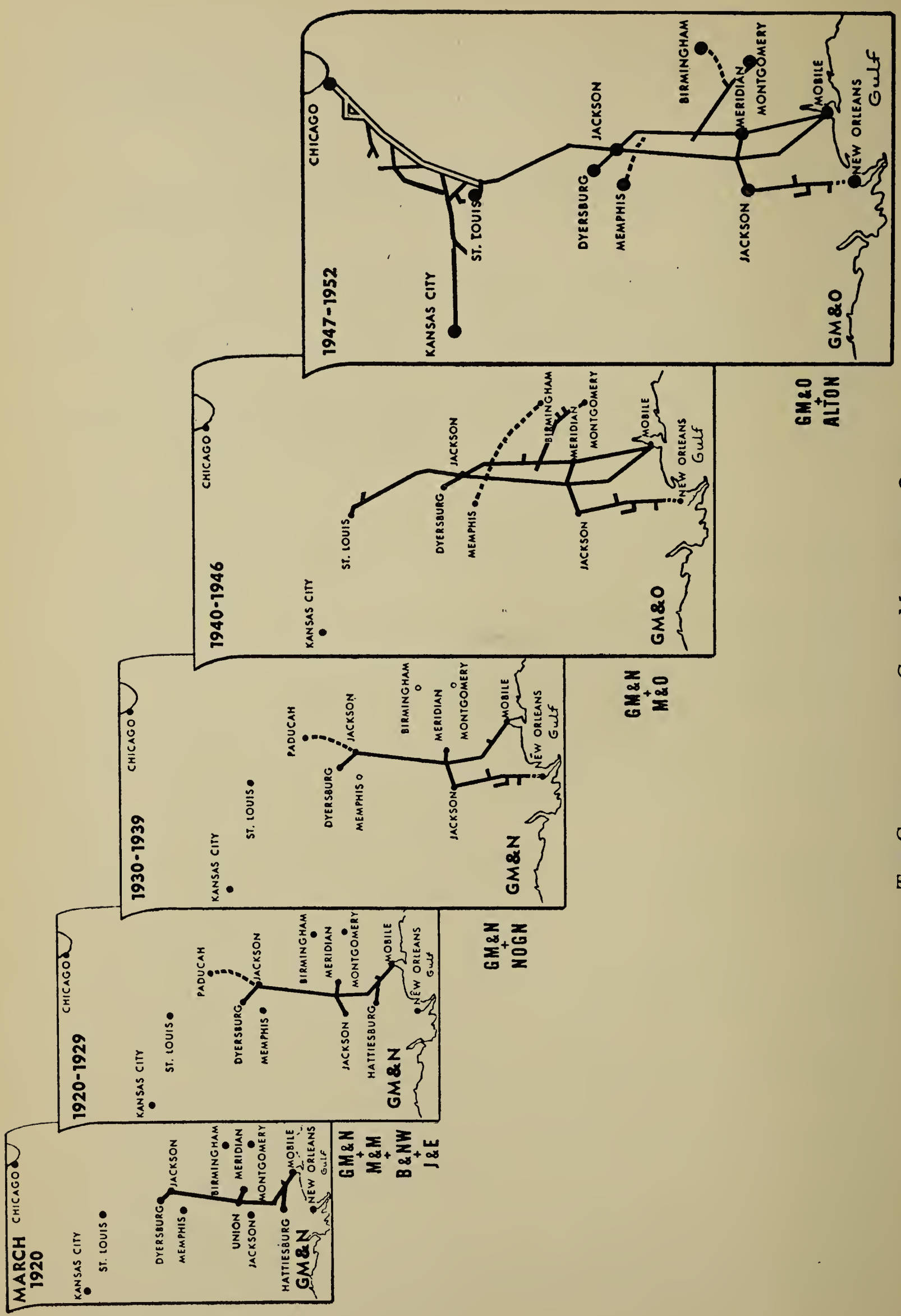
B. *Major Changes—March, 1920, to September, 1940*

1. 1920–25. Creation of a well-run, aggressively promoted, small railroad.
2. 1924. Purchase of corporate control of the Birmingham and Northwestern (49 miles) by the GM&N. (This line from Jackson, Tennessee, to Dyersburg had been operated in co-operation with GM&N policy since March, 1920. I. B. Tigrett had been president of the B&NW from 1912 to 1920.)
3. 1926. Purchase of corporate control of the Jackson and Eastern (33 miles in operation) by the GM&N. (Jackson and Eastern line rebuilt and extended about 40 miles further to reach Jackson, Mississippi, in 1927.)
4. 1926. Acquisition of trackage rights over Nashville, Chattanooga and St. Louis line from Jackson, Tennessee to Paducah (145 miles) for freight service.
5. 1929. Merger of Birmingham and Northwestern, Meridian and Memphis, and Jackson and Eastern into the GM&N.
6. 1930. Purchase of stock control of the New Orleans Great Northern (263 miles) by the GM&N.
7. 1933. Change of trackage contract from NC&STL (145 miles, Jackson, Tennessee, to Paducah) to Illinois Central (113 miles) Jackson, Tennessee, to Paducah.
8. 1933. Acquisition of 99 year lease on property of reorganized New Orleans Great Northern.
9. 1935. Service begun by "The Rebel" first Diesel electric streamlined passenger train in the South.
10. 1936. Creation of the totally owned subsidiary, Gulf Transport Company, to co-ordinate and enlarge previous highway service, both by bus and truck.

11. 1938. Cancellation of the IC trackage agreement between Jackson, Tennessee, and Paducah.
12. 1938. Tentative agreement reached to merge the GM&N and the Mobile and Ohio (1150 miles) into the Gulf, Mobile and Ohio.

C. *Major Changes—September, 1940, to March, 1952*

1. 1940. Creation of the GM&O by merger of the GM&N and M&O.
2. 1947. Acquisition of the Alton Railroad (959 miles) and merger of its lines into the GM&O.
3. 1952. Acquisition of trackage rights over the Louisville & Nashville line from Tuscaloosa, Alabama, to Birmingham (55 miles).
    a. Cessation of use of IC and Southern Railway lines from Ruslor (Corinth) Mississippi, to Birmingham (172 miles).

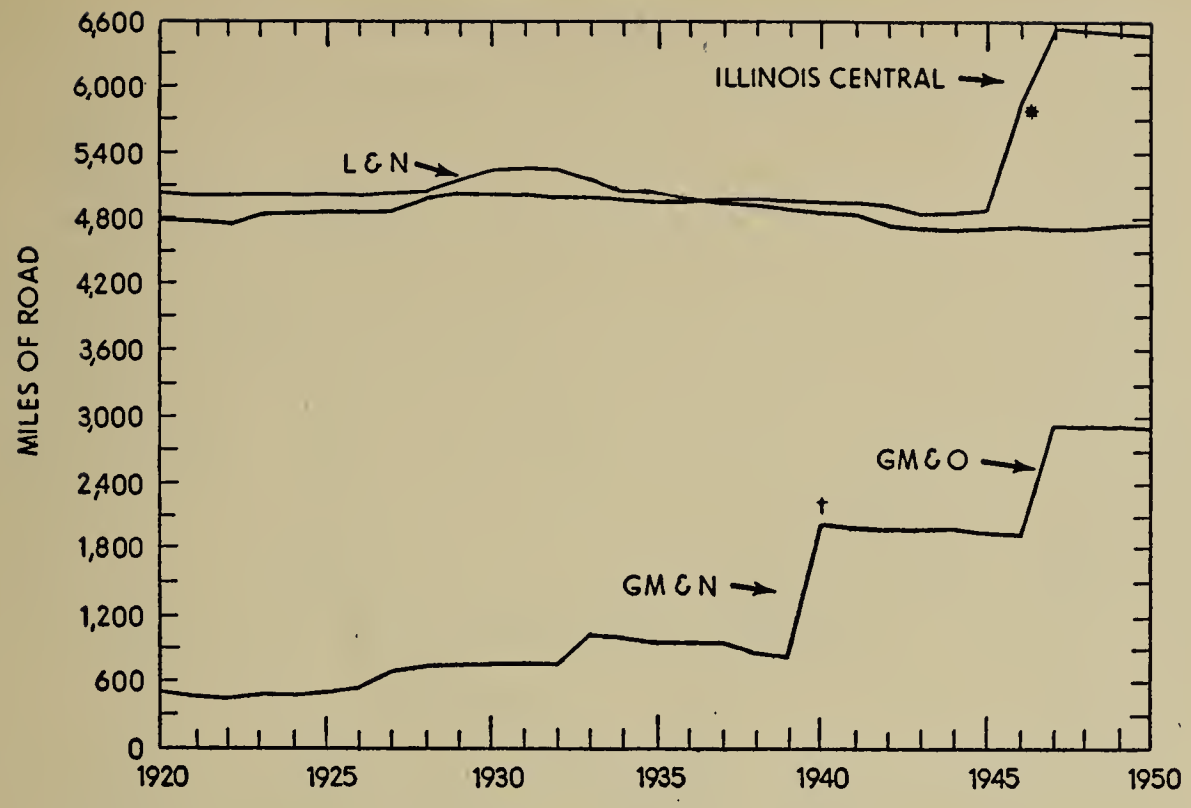


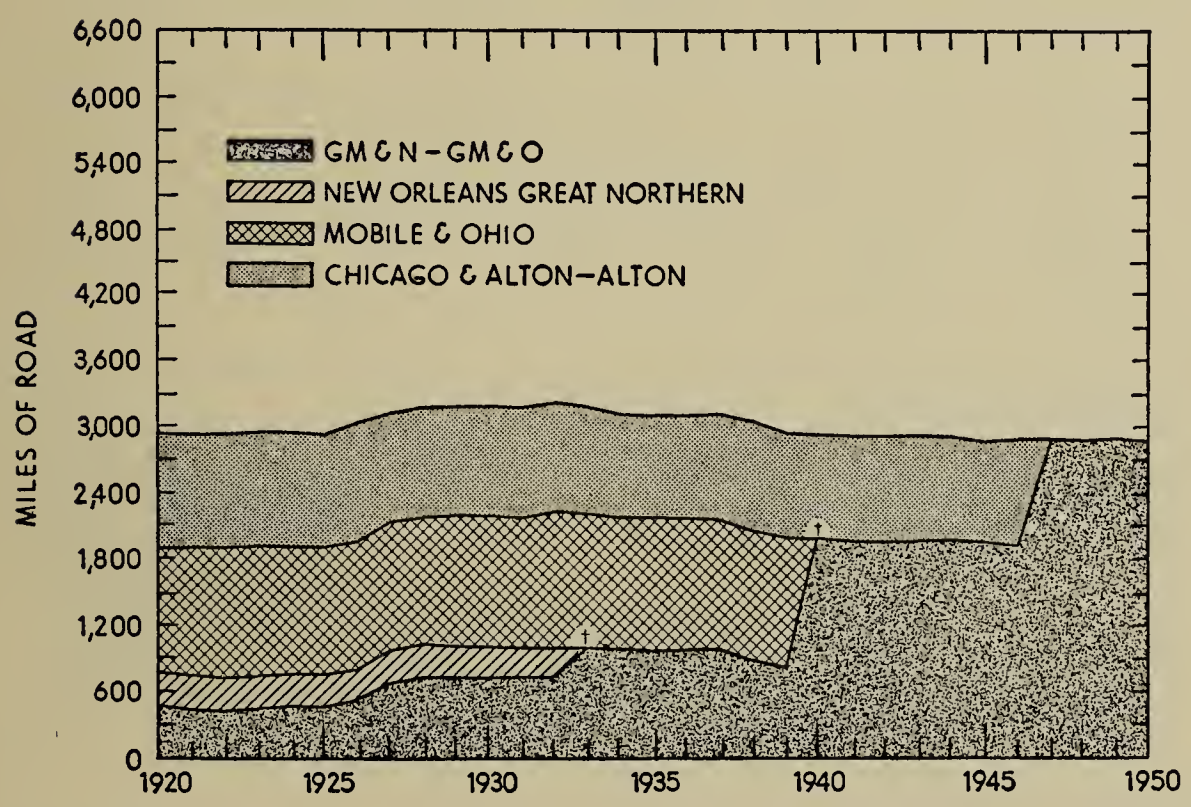
THE GROWTH OF THE GULF, MOBILE AND OHIO

(Dotted line indicates track controlled through trackage agreements. Double line indicates owned double track)

CHART III

Average Number of Miles Operated





* Yazoo and Mississippi Valley Railroad included after July, 1946.
† Road merged into GM&N–GM&O system.
SOURCE: *Statistics of Railways.*

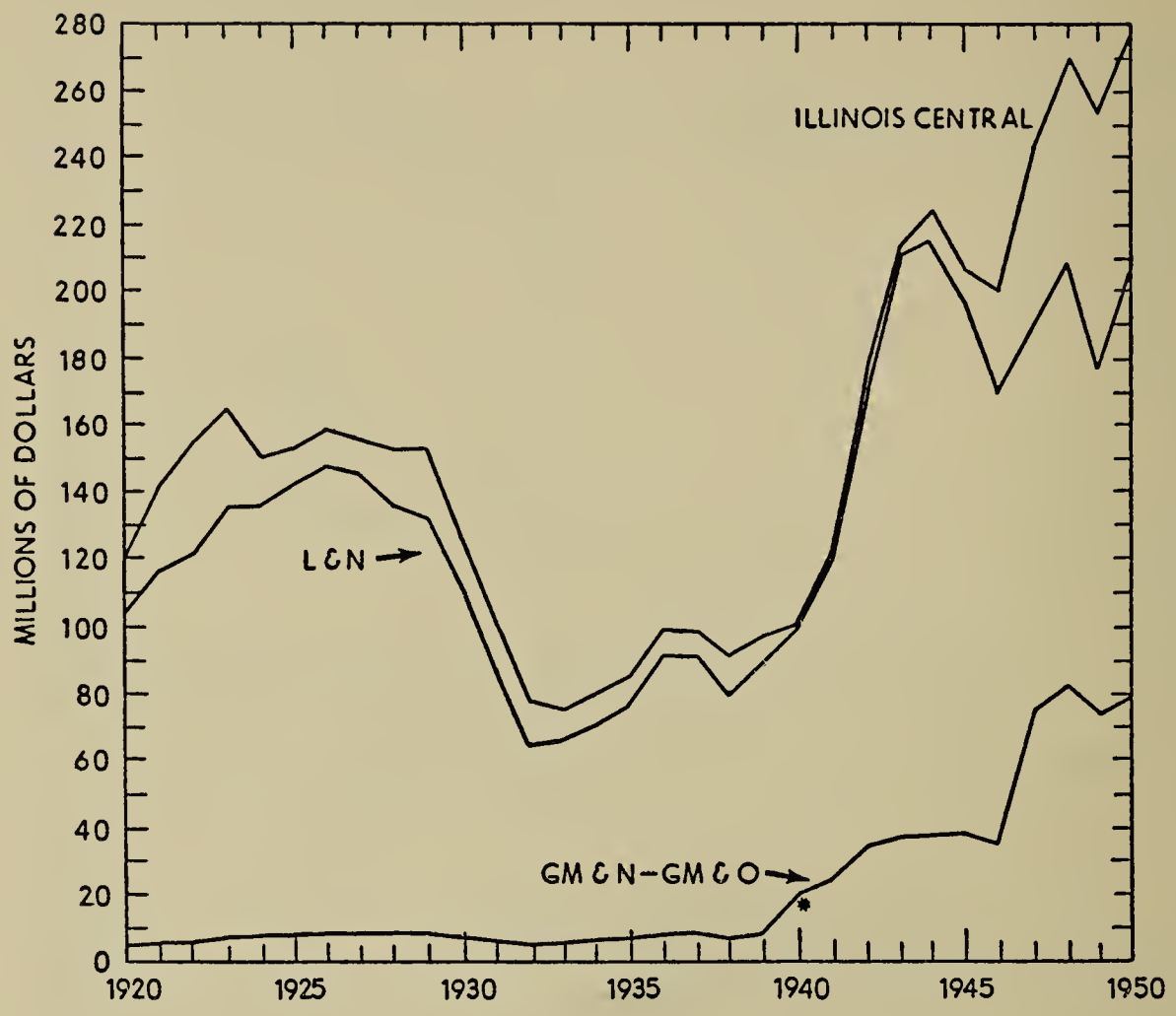
(The number of miles of main track which is owned and/or operated by each company represented.)

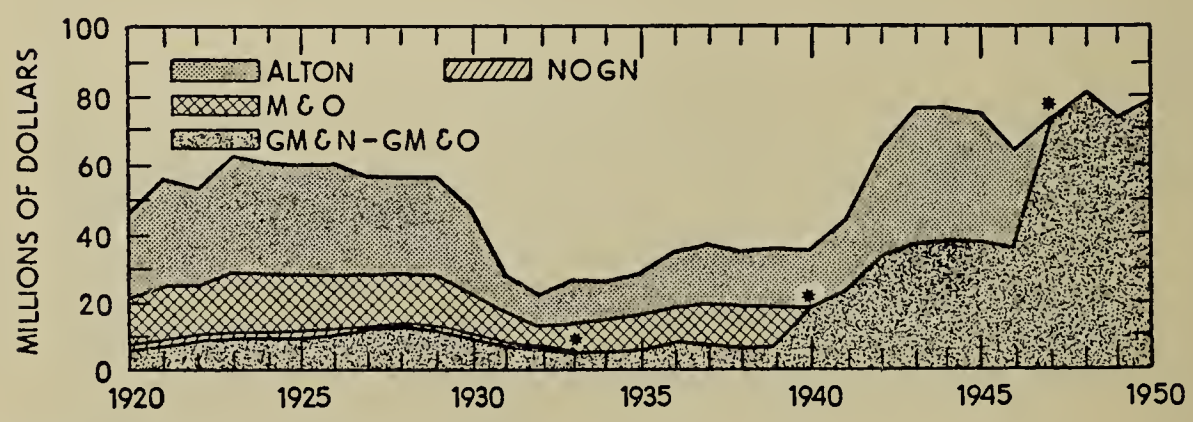
The four major companies which compose the GM&O of 1950 operated an average of 2,934 miles of line in 1920. Since that time, various additions and subtractions have taken place in the operations of the four companies. In 1950, however, the GM&O operated 2,898 miles, which is quite close to the 2,934 miles of the four companies in 1920. An appreciable amount of mileage has been added to the companies, but abandonments and sales have held the total nearly level.

The L&N mileage has declined slightly as abandonments have taken their toll. Figures for the IC show an upward trend because the early years show mileage for the IC only. As subsidiaries have been merged into the parent company, its mileage has increased substantially.

CHART IV

Total Operating Revenues





* Road merged into GM&N–GM&O system.
SOURCE: *Statistics of Railways.*

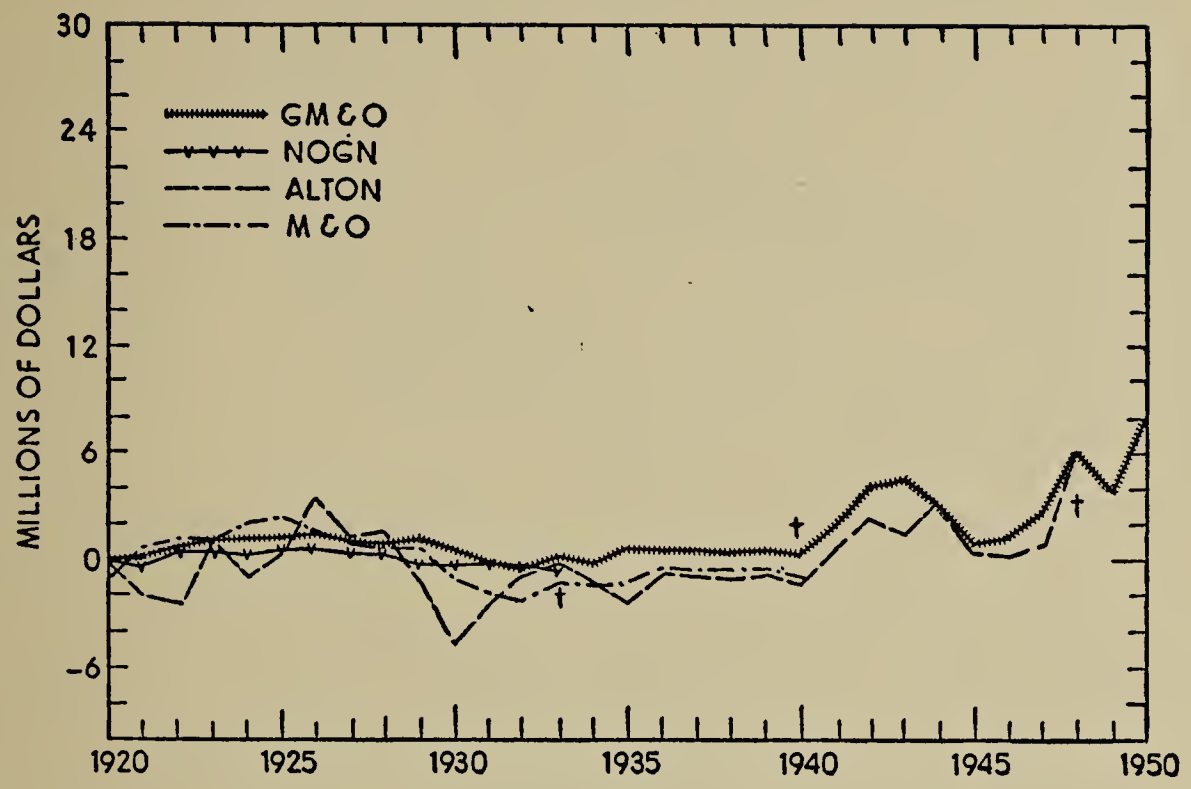
(All revenue received from operating the various railroads for transportation purposes is included. Any revenue which might be received from outside sources is excluded.)

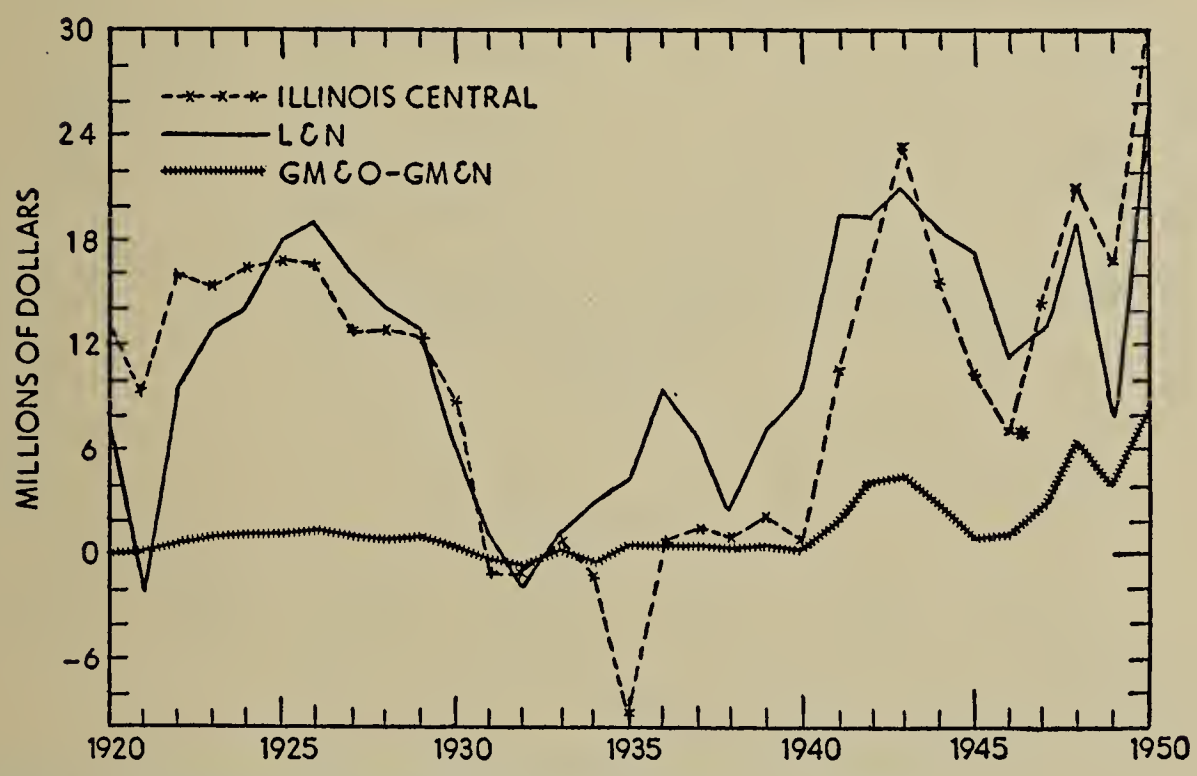
This tabulation of gross operating revenues has not been adjusted to price changes and therefore is not as valuable for long-run comparisons as it might be otherwise. Within any period of a few years, however, comparisons between companies will be valid indications of changes in operating conditions or in the availability of traffic.

All of the railroads shown in the chart suffered severe losses in revenue during the depression of the 1930's. Both the Alton and the M&O, however, suffered more severe drops in revenue than the other roads listed.

CHART V

Net Income





* Yazoo and Mississippi Valley Railroad included after July, 1946.
† Road merged into GM&N–GM&O system.
Source: *Statistics of Railways.*

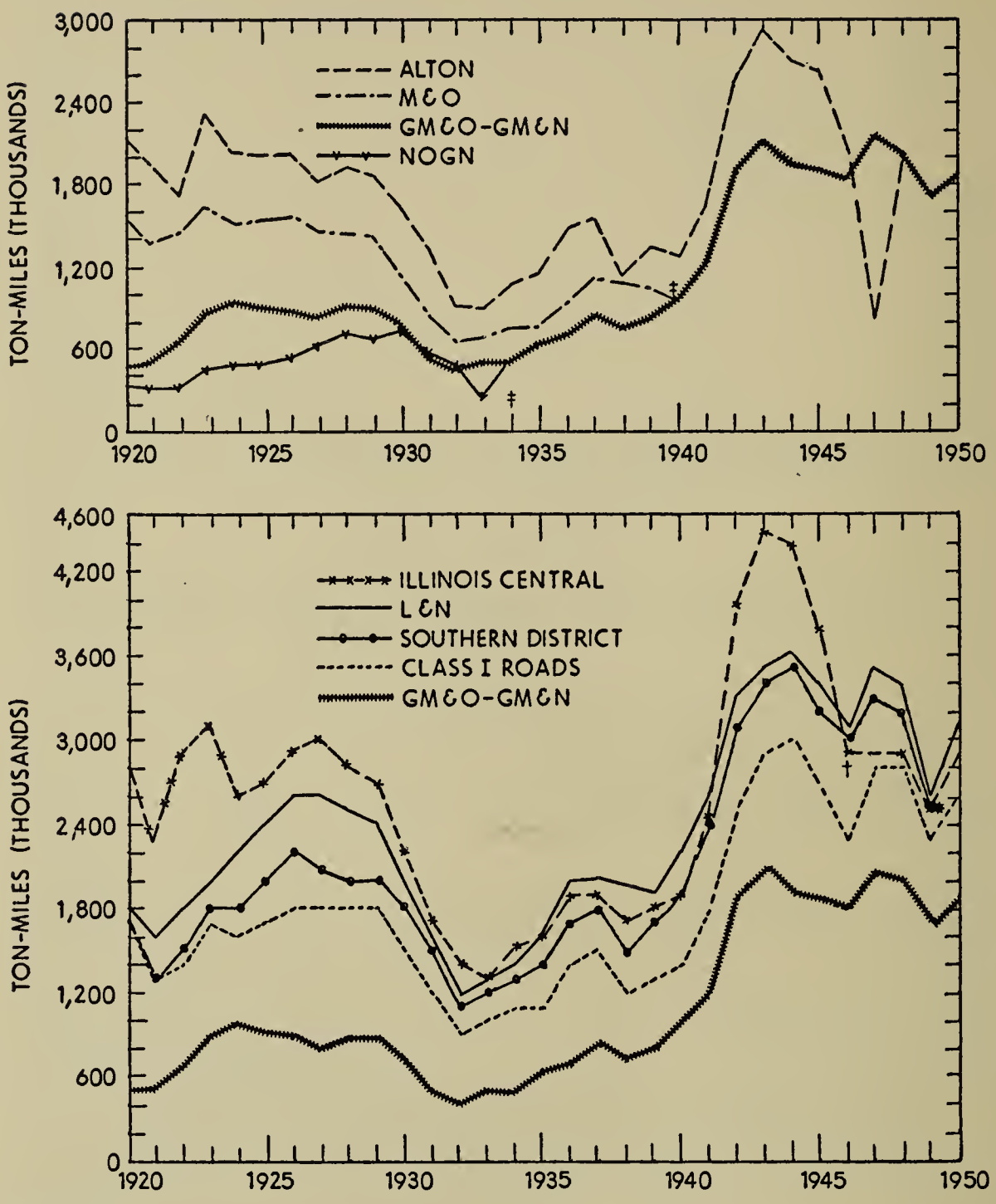
(Net income figures include the total amount of profit which a company has made in a given year.)

The net income record shows that the roads which have been merged into the GM&N–GM&O had serious difficulties during the depression of the 1930's. It also indicates that the Alton had a poor record even in the prosperous 1920's.

The prosperous condition of the GM&O since 1940 does not necessarily indicate that the merger program has been successful. Only another serious decline in business will prove conclusively that the GM&O has or has not strengthened the former roads by its merger program.

CHART VI

Ton Miles of Revenue Freight per Mile of Road



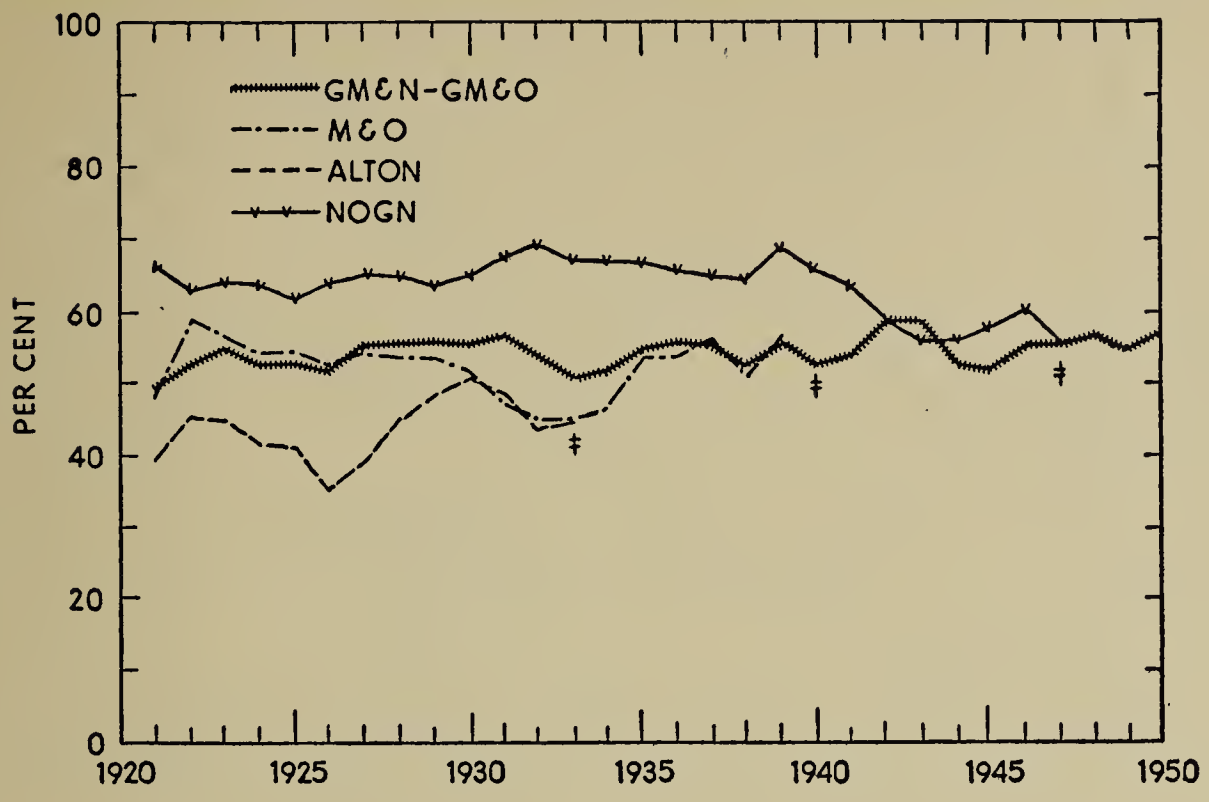
° Not available.
† Yazoo and Mississippi Valley Railroad included after July, 1946.
‡ Road merged into GM&N–GM&O system.
SOURCE: *Statistics of Railways.*

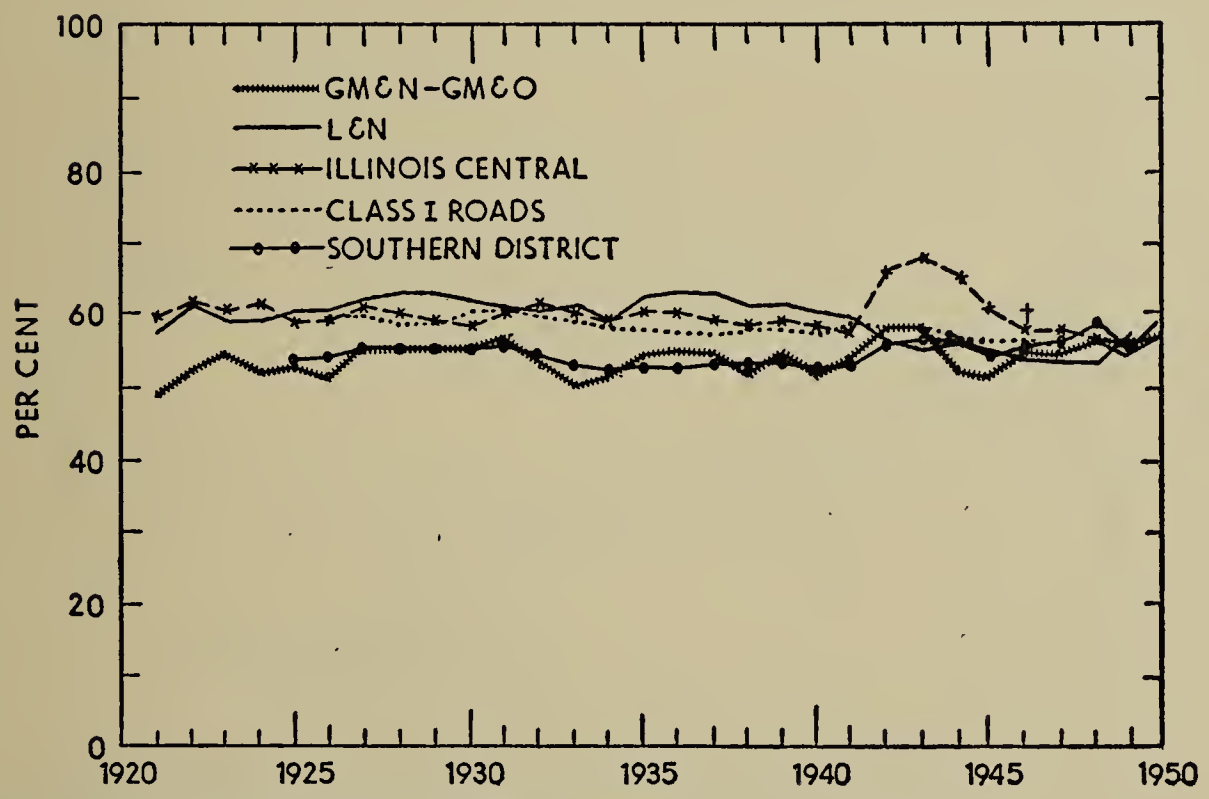
(The density of total bulk of freight traffic is shown by this chart. This is a comparative figure which railroads use to see if business improves or declines in a given period as compared to some other similar period.)

The GM&O of 1950 is not heavily used in comparison with national or southern district averages. Density figures in the chart above show that the GM&N of 1920 has shown decided improvement, but traffic on the road is much lighter than either the Southern or national average or that of the L&N or the IC. Traffic on the Alton sector of the line has been heavier than that on the lines south of St. Louis, but the Alton itself was below national averages prior to the merger.

CHART VII

PER CENT OF TOTAL LOADED FREIGHT CAR MILES, EAST OR NORTH BOUND





† Yazoo and Mississippi Valley Railroad included after July, 1946.
‡ Road merged into GM&N–GM&O system.

SOURCE: Interstate Commerce Commission, *Comparative Statement of Railway Operating Statistics.*

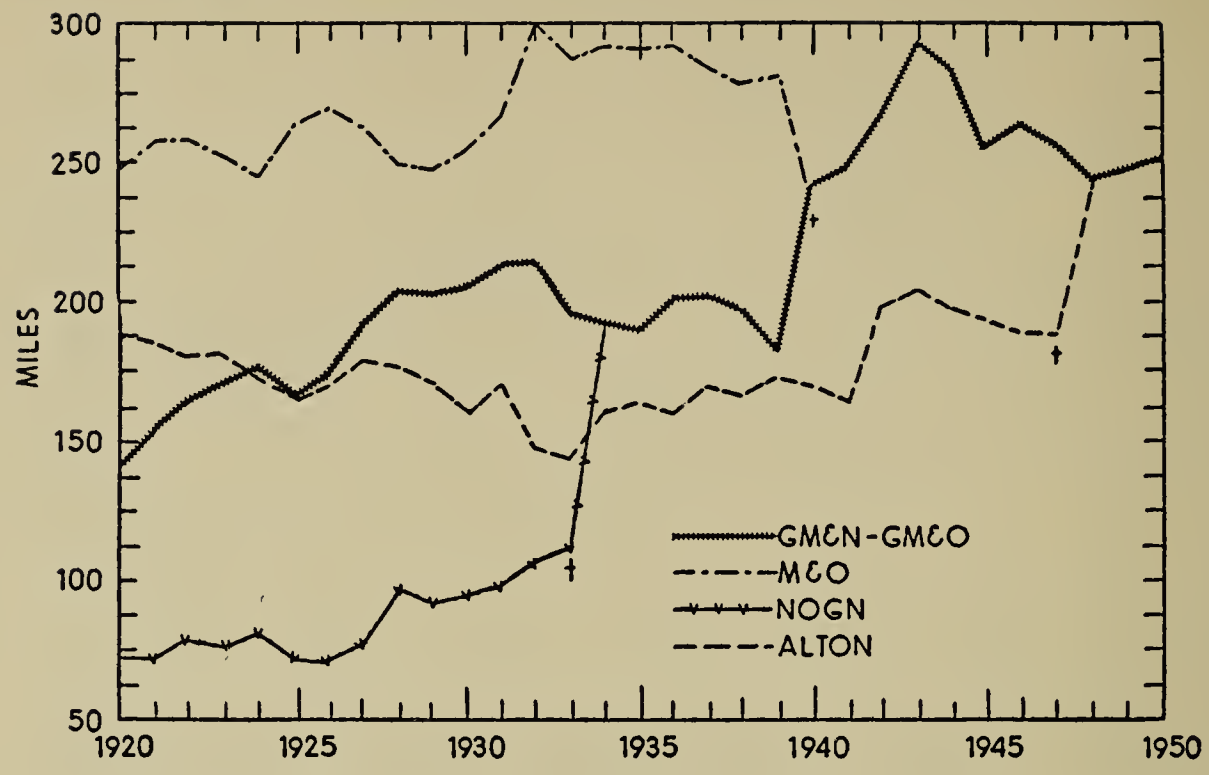
(A record which shows whether or not a specific railroad is hauling approximately the same amount of tonnage in both directions. The ideal situation would be 50 per cent of loaded cars moving eastward or northward.

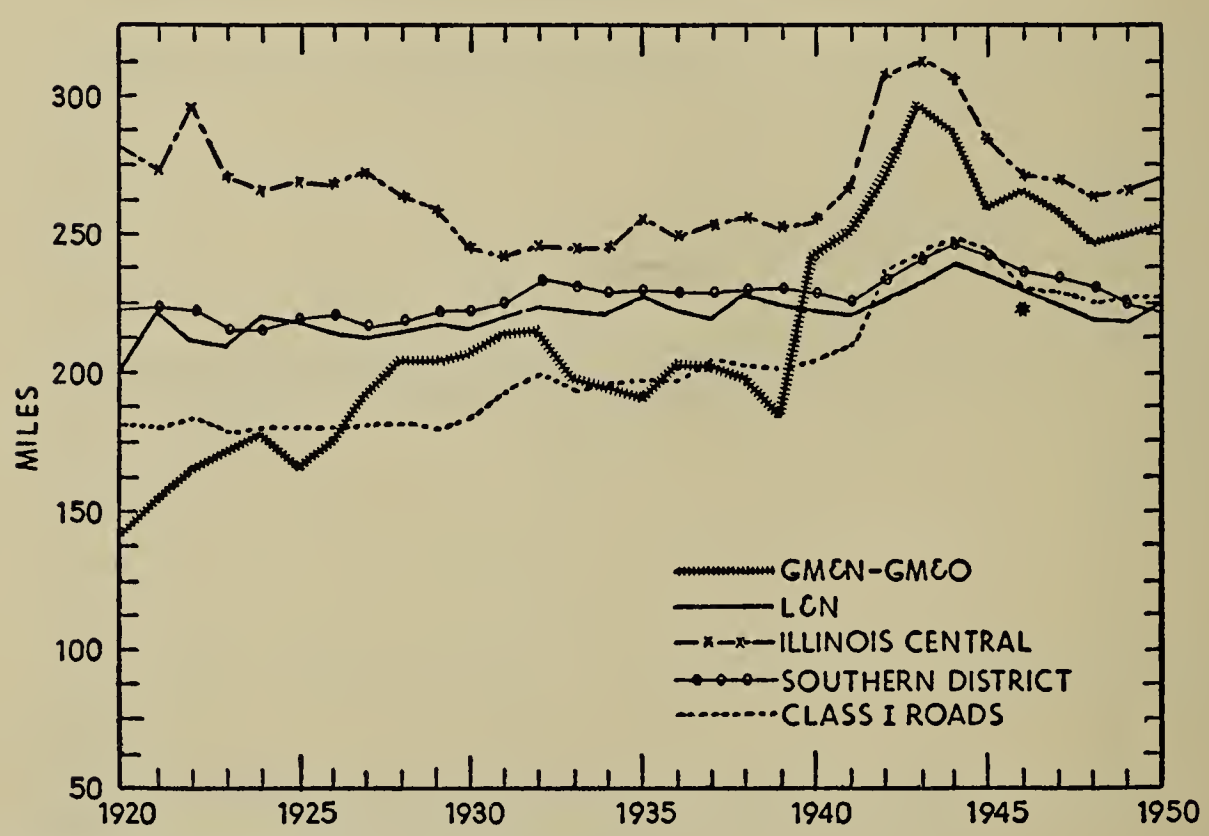
One of the accepted measures of operating efficiency is the per cent of the total loaded freight car miles which move either east or north. This is a measure which the operating department of a railroad cannot control directly since the traffic flow is primarily responsible for such averages.

In this test the GM&N–GM&O has shown a relatively high degree of conformity to Southern and national averages. The Alton prior to World War II had a very decided bias in favor of loaded cars moving east or north, thus in effect causing the west- or south bound trains to operate with many empty cars. Both the L&N and the IC have had a tendency to operate in the same manner.

CHART VIII

Average Number Miles Each Revenue Ton Hauled





* Yazoo and Mississippi Valley Railroad included after July, 1946.
† Road merged into GM&N–GM&O system.

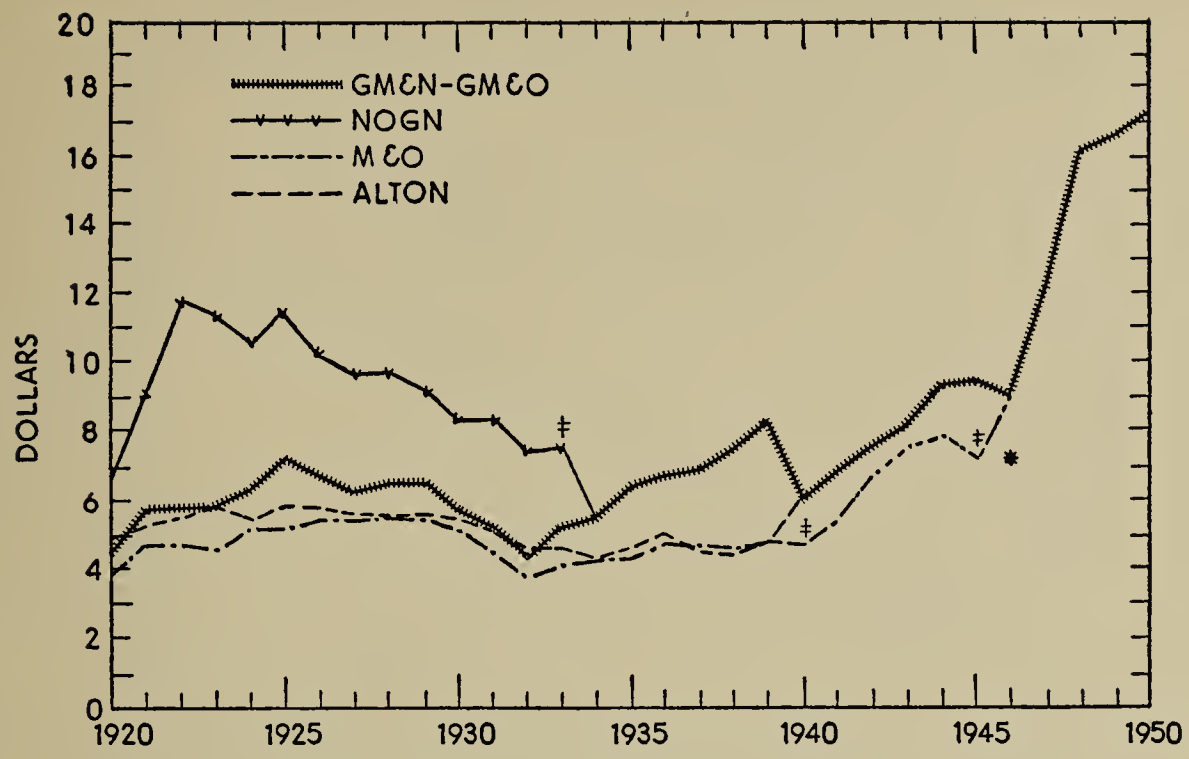
Source: Interstate Commerce Commission, *Comparative Statement of Railway Operating Statistics.*

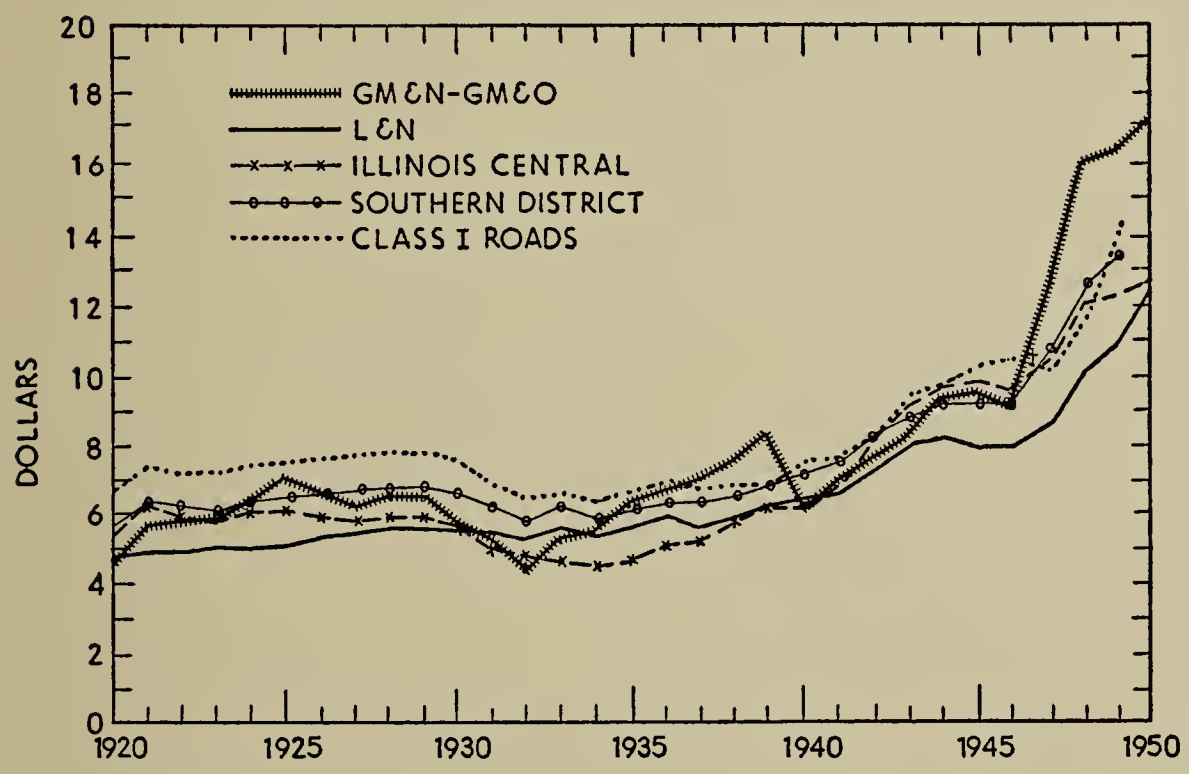
(A record which shows the average length of the haul which each railroad gets.)

The GM&N–GM&O has consistently worked to obtain the longest haul possible under existing conditions. In the years from 1920 to 1931 the GM&N had increased its average from 141 miles to 212. The change of trackage rights to Paducah from the lines of the NC&STL to those of the IC caused a decrease in average haul by the year 1933. Again, the cessation of operations to Paducah over the IC in 1938 caused a decline for 1939. Since the merger of 1940 the GM&O has held a high average which was again lowered when the Alton merger took place in 1947. The current trend is upward and at present the GM&O exceeds the national and southern average as well as the average of the L&N. The IC, with its well-developed, long-line system, still exceeds the average haul of the GM&O, even though the IC average declined in 1946 with the addition of statistics from the Y&MV.

CHART IX

Freight Revenue per Train Mile





* Not available.
† Yazoo and Mississippi Valley Railroad included after July, 1946.
‡ Road merged into GM&N–GM&O system.

Source: For companies prior to 1936 and for Southern District and Class I Roads for all years, *Statistics of Railways*. For companies since 1936, Moody's *Railroad Securities*.

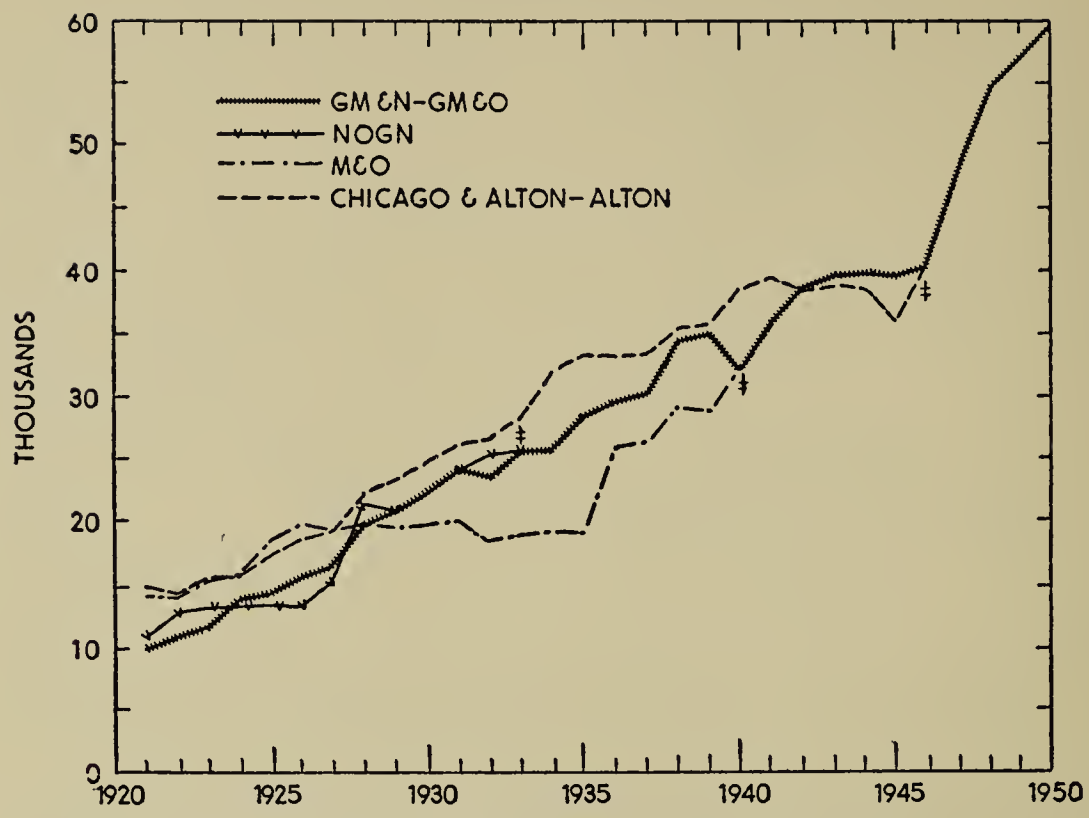
(This chart shows the amount of revenue which each railroad receives for the work performed by an average freight train as it moves one mile.)

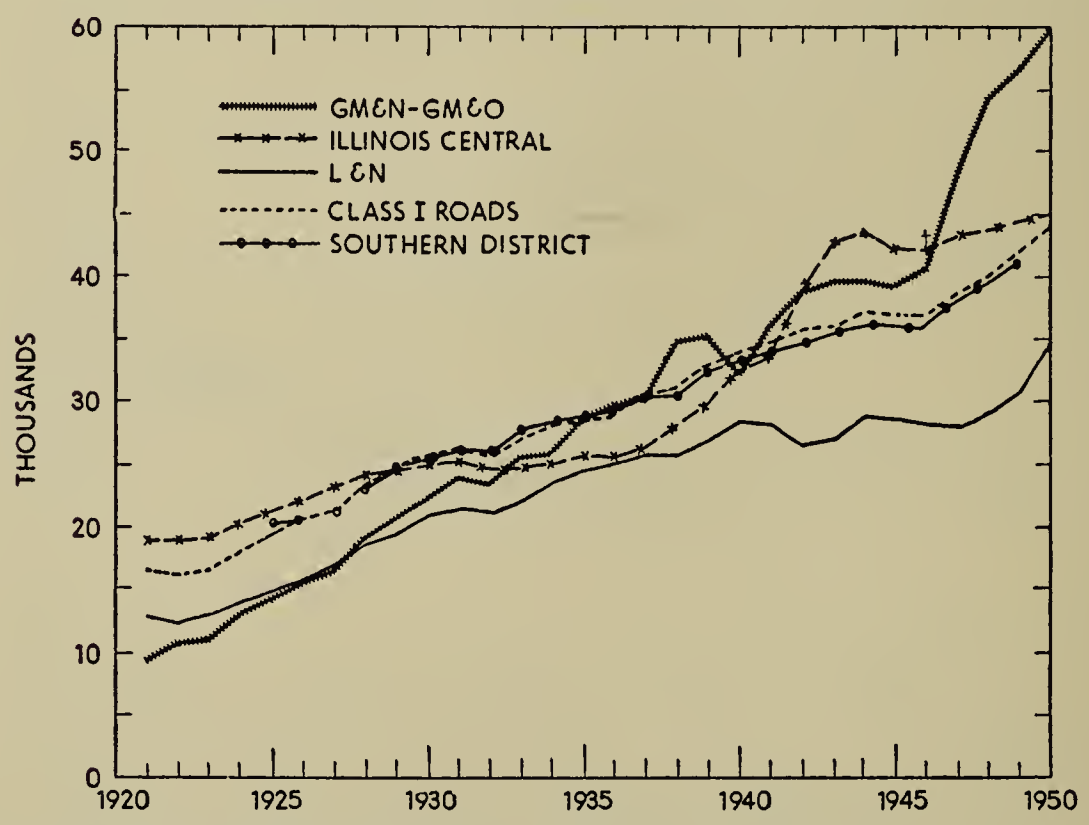
Freight revenue per train mile is a worthwhile indicator of operating efficiency when the volume of traffic does not materially change from year to year. It is impossible to compare the revenue per train mile for the GM&N of 1920 with that of the GM&N of 1932 and thus determine that the operating department was less efficient in 1932 than in 1920. One can say, however, that a company with a train mile revenue of $16.64 is more fortunate than a company with a train mile revenue of $10.96.

Much of the increase which the GM&O has shown since 1945 is due to the use of Diesel locomotives in road freight service.

CHART X

Gross Ton Miles per Freight Train Hour





† Yazoo and Mississippi Valley Railroad included after July, 1946.
‡ Road merged into GM&N–GM&O system.

Source: Interstate Commerce Commission, *Comparative Statement of Railway Operating Statistics.*

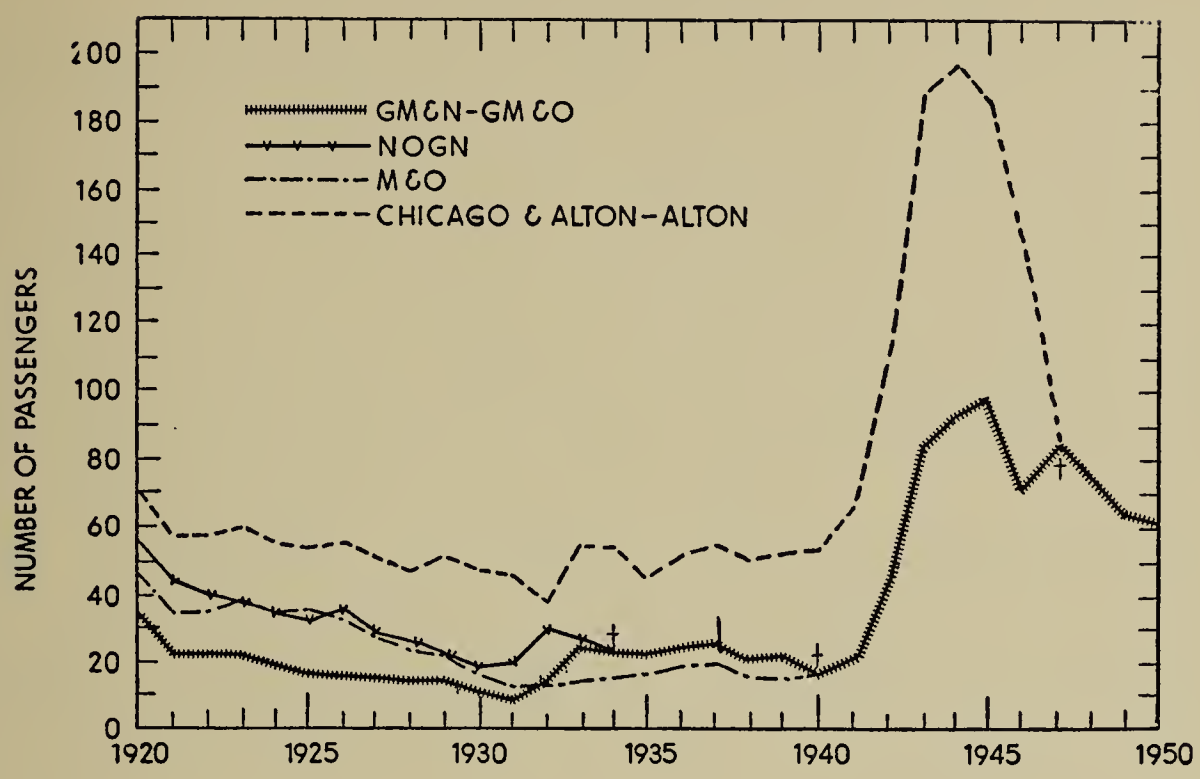
(This chart shows the average number of tons of freight and freight train equipment which is moved one mile in one hour by one freight train. Speed of trains is an important element in this record.)

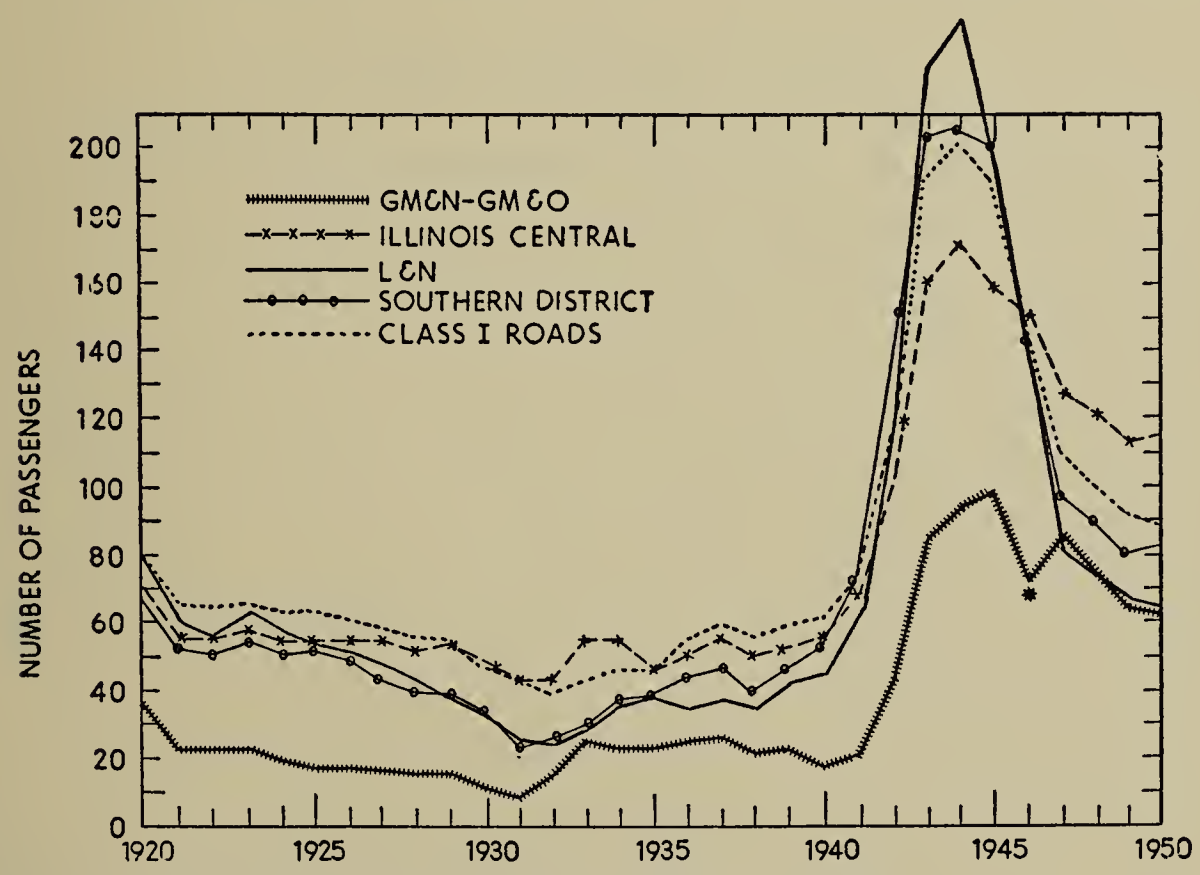
There are many indicators which can be developed that show the relative operating efficiency of railroads. The figures for train mile operation are important evidences of efficiency when properly interpreted. Perhaps the most highly regarded indicator of over-all railroad operating efficiency is gross ton miles per freight train hour.

The GM&N of 1921 rated about 57 per cent of the national figure in this calculation. The GM&O of 1950 was well in advance of the national average, with its total of 59,690 ton miles being 136 per cent of the national average of 44,353 ton miles per train hour.

CHART XI

Revenue Passenger Miles per Train Mile





* Yazoo and Mississippi Valley Railroad included after July, 1946.
† Road merged into GM&N–GM&O system.
SOURCE: For companies prior to 1936 and for Southern District and Class I Roads for all years, *Statistics of Railways*. For companies since 1936, Moody's *Railroad Securities*.

(This record shows how many paying passengers ride on the average train as it travels one mile.)

The average number of passengers per train mile does not indicate volume directly, but it does show that for the trains which the GM&N–GM&O has run, patronage has been much lighter than Southern and national averages.

The Alton was once known as a "passenger" railroad and its passenger averages were much higher than those of the Southern lines of the GM&O. Addition of the Alton's passenger business into the average of the GM&O has caused a definite increase since 1947 for the road as a whole.

CHAPTER · XVIII

The Importance of Consolidation in the Growth of the Gulf, Mobile and Northern—Gulf, Mobile and Ohio

THE GM&N OF 1920–25

CONSOLIDATION in itself would not have solved the short-run problems which beset the Gulf, Mobile and Northern of 1920. It is true that, had the GM&N been purchased by the Illinois Central or the Louisville and Nashville at a price commensurate with its earning capacity, the management and the Board of Directors of the GM&N would have shifted their problems to other shoulders. The purchasing road, however, would have had to set itself to the tasks of rearranging the affairs of the road and of clearing up the headaches which would still exist on the sector of line between Jackson, Tennessee, and Mobile.

The short-run problems which confronted the management of the GM&N have been discussed at length in earlier chapters. Briefly, they were as follows: (1) The Company, in spite of having no bonded debt, was debt-ridden and almost bankrupt. (2) The roadbed and equipment of the company were unfit for efficient operation. (3) The operating department of the road was inefficient and was unable to persuade its employees that a change was needed. (4) The Company had such poor public relations with its territory that, at one time soon after 1920, the Mississippi Public Service Commission seriously considered issuing an order to abandon the entire operation.

This was a sorry state of affairs for the GM&N to be in, only three

years after it began its existence as the successor to the defunct New Orleans, Mobile and Chicago. In January, 1917, the Company had begun its operations with no bonded debt and with high hopes of expanding into a more important place in railroad affairs. The stockholders of the GM&N were the former bondholders of the New Orleans, Mobile and Chicago, who had been persuaded to exchange their depreciated bonds for common and preferred stock. This plan was evolved as the most feasible means of putting the new Company on its feet. It was thought that the GM&N, with no bonds outstanding, would be able to borrow funds to build needed extensions and to rehabilitate its roadbed and rolling stock.

The road did begin the extension of its line from Middleton to Jackson, Tennessee, in 1917. The work progressed slowly, however, and it was 1919 before the 40-mile extension was completed. This extension was vitally necessary to keep the road alive, for it gave the line a workable northern terminal. The 40-mile addition in effect added 83 miles to the line, for, prior to this time, most of the traffic of the road left the line at New Albany, Mississippi, some 43 miles below Middleton. This single action by the GM&N increased the average number of miles each ton of freight was hauled by about 20 per cent. At the same time that the effective haul was lengthened, the GM&N was able to reach a point where it could hope to bargain for traffic with the three roads which went beyond Jackson.

One other action was completed prior to 1920 which improved the chances of the survival of the road. In 1918 the Company had purchased control of the 30-mile Meridian and Memphis which gave the line an entry into Meridian, Mississippi, at that time the most important rail junction, as well as the largest city, in the state.

The completion of these moves prior to 1920 did not solve the road's problems. Had these steps not been taken, however, the road would have had little chance to remain an independent rail line.

Hard and intelligent work seemed to be the only solution to the problems which faced the GM&N in 1920, and the new management resolutely set to work to see what it could accomplish. The short-term debt of the Company was juggled to prevent foreclosure; then the Company began to try to improve its operations with the slim resources at its command. As fast as its financial condition would permit, the Company began to rebuild its roadbed and equipment. When this program was well under way the Company started its other drives to create a loyal, able and eager working force to sup-

port the growth program. At the same time the Company inaugurated plans to secure the confidence and loyalty of the people served by the road. Shippers were encouraged to use the GM&N for a variety of reasons, but one of the most persuasive was the idea that a stronger railroad could help create a stronger economic community.

Through careful execution of these and other programs the Company made large gains in traffic volume, operating efficiency, and net income in the years from 1921 to 1926. For a number of years, however, the problems looked so formidable that even the optimistic managers of the GM&N periodically were ready to quit. Probably the only thing which prevented the GM&N from being sold to the IC was the fact that the IC would not make an offer worth considering!

By the end of 1925 the situation of the GM&N had improved to the point that: (1) the road was in a strong condition financially; (2) its roadbed was greatly improved and its equipment was adequate to carry its tonnage at low unit costs; (3) the operating and traffic personnel were excellent and were proud of "their" road; and (4) the road was spoken of as one of the most enlightened corporations operating in Mississippi. These operating improvements, however, did not alter certain basic situations which made the GM&N's long-run future look very dark. The GM&N was still a small sectional road which had several fundamental weaknesses. First, the line was not of sufficient length to secure a haul which by railroad standards would be called long or highly profitable, except on freight which moved all the way from Mobile to Jackson. Second, the road did not operate between traffic points which were important enough to allow the Company to make rates on its own account. The GM&N was compelled to secure the concurrence of competing lines in making its rates, which, in effect, forced the Company to take any division of joint rates which it could wheedle from its bigger connections, the IC or the Louisville and Nashville or the Mobile and Ohio. The third weakness of the GM&N of 1925 was a lack of permanent sources of traffic along much of its lines. The timber of Mississippi was rapidly being cut out and Mobile alone could not be counted upon to keep the entire line to Jackson, Tennessee, prosperous.

At this stage in the affairs of the GM&N, its management decided that the Company was strong enough to undertake an expansion pro-

gram which, it was hoped, would remove some if not all, of the weaknesses of the line. The decision to expand the operations of the GM&N was no sudden, spur-of-the-moment thing. On the contrary, growth had been the long-range goal of the Company ever since its inception in 1917. In keeping with the idea that eventual expansion was necessary, the management in 1923 began making loans to certain smaller connecting roads so that these roads could survive and become either connecting links or at least feeder lines to the GM&N of the future. In 1925 the management decided that the time had come to make larger, bolder moves toward the basic goal of an expanded GM&N.

THE BURLINGTON–GM&N–NEW ORLEANS GREAT NORTHERN AGREEMENT—1926

Early in 1926 the Company acquired control of the Jackson and Eastern which gave the GM&N a franchise to enter Jackson, Mississippi, from Union, Mississippi, some 70 miles to the east. This seemingly unimportant road had only a little more than 30 miles of track in operation in 1926, but when the GM&N completed the line in 1927 it made contact with the New Orleans Great Northern which ran from Jackson to New Orleans. The New Orleans Great Northern originated a substantial volume of tonnage along its line which generally moved to northern markets; therefore, the GM&N increased its traffic volume on northbound shipments. At the same time, the GM&N secured access to the South's major seaport, which was the primary objective of the move.

At the same time that the GM&N arranged to acquire the Jackson and Eastern for entry into Jackson, Mississippi, and access to New Orleans, the Company negotiated a trackage agreement with the Nashville, Chattanooga and St. Louis to reach Paducah, Kentucky. This move allowed GM&N trains to operate with their own crews from Jackson, Tennessee, to Paducah. At Paducah the GM&N was able to make contact with the Chicago, Burlington and Quincy, thus creating a community of interest in a freight route from New Orleans and Mobile to St. Louis and Chicago. The GM&N did not hope to earn much additional net income by operations between Jackson and Paducah, but the Burlington agreement promised to increase tonnage greatly on the line from Jackson, Tennessee, through Jackson, Mississippi, to New Orleans. By operating over the NC&STL tracks

from Paducah to Jackson, the GM&N created a "bridge" for the purpose of adding to net income produced on its line south of that point.

The development of the New Orleans Great Northern–GM&N–Burlington traffic route helped produce additional tonnage for the GM&N, but it brought problems also. For one thing, the GM&N ceased to be thought of as a small sectional road which had no importance. GM&N employees who formerly had worked under simpler rules and pay scales below the national level were encouraged by their brotherhoods to seek "big company" rules of work and pay. Neither was the IC willing to continue to act as a rather benign big brother, always ready to lend a helping hand to solve operating or other problems.

As a result of these and other changes, the GM&N was not so prosperous in the years 1927 to 1930 as it was in 1923–26. In fact, the GM&N was never again to experience the level of profits per mile of road which it possessed prior to its expansion program in 1926, but this is not meant to imply that the road made a mistake in undertaking the 1926 expansion program. Had it depended only on its original traffic territory, the road certainly would have fallen into bankruptcy in the depression and perhaps would have passed out of existence.

ACQUISITION OF THE NEW ORLEANS GREAT NORTHERN—1930–33

The best evidence that the GM&N did not want to return to its pre-1926 status was its decision to buy control of the New Orleans Great Northern in 1929. After the first effects of the stock market crash, the New Orleans Great Northern began to look shaky, and the GM&N decided to acquire control by a stock exchange plan. This was a defensive measure primarily, because the GM&N felt that it had to keep its route to New Orleans open at almost any cost. In 1932 the GM&N saw its stock in the New Orleans Great Northern wiped out by a receivership, but the New Orleans route remained in the hands of the GM&N because of a 99-year lease which was taken on the revamped New Orleans Great Northern.

During the early years of the depression of the 1930's, the GM&N barely had enough strength to survive as a functioning transportation company. All plans for further development were shelved in the effort to remain solvent. The future was not ignored entirely, how-

ever, for it was in 1932 that the management of the GM&N had its first thoughts of merging with the M&O. Nothing was accomplished at that time because the Southern Railway was not willing to release the M&O from its system, but the idea remained and bore fruit at a later date.

Throughout the depression years the road made many adjustments in an effort to reduce expenses. Steam passenger train service was reduced and later was discontinued, with Diesel electric units, gas electric units, and highway motor busses taking over this task. In this same period the GM&N began its extensive highway freight service which has revolutionized LCL freight operations of the Company. In addition to these efforts toward reduction of expenses, the GM&N tried to lower its rental payments on the trackage between Jackson, Tennessee, and Paducah. Although the costs were lowered, this service later erupted into one of the biggest problems which the GM&N (and later the Gulf, Mobile and Ohio) management has had to face, and it very nearly caused the road to revert to its pre-1926 status.

EFFORT TO KEEP THE TRACKAGE ENTRY INTO PADUCAH—1932–38

In mid-1932 the GM&N made a new trackage agreement to continue its operations from Jackson, Tennessee, to Paducah. The NC&STL had been unwilling to reduce its rental charge for the use of its tracks; as a result, the GM&N turned to the IC. A new contract was signed which saved the GM&N an appreciable amount of money. This new contract was opposed, however, by the employees of the IC as a violation of their agreement with the IC. In 1936 the IC acceded to the demands of its unions and informed the GM&N that it could no longer use the IC tracks. The GM&N resorted to the courts to keep its entry into Paducah. In 1938 the courts finally sided with the IC and its unions and ordered the GM&N to cease using the IC line. The GM&N was saved from disaster by making a preferential agreement with the M&O to haul all GM&N's controlled freight from Jackson, Tennessee, to St. Louis in place of the former service between Jackson and Paducah. Under the agreement, the GM&N was to get a profitable division of the joint rates, and all published rates were to be protected. This arrangement strained the relations between the GM&N and the Burlington, but it kept the GM&N from reverting to the status of a sectional line at the mercy of its bigger,

and longer, connecting roads. (At this point, it may be well to say that the only reason the M&O was willing to make an agreement so advantageous to the GM&N was that the GM&N, at the same time, entered into an agreement to merge with the M&O as soon as all legal difficulties could be removed.)

MERGER OF THE GM&N AND THE M&O—1938–40

When the president of the IC informed the GM&N in 1936 that it was cancelling the Paducah trackage agreement, the management of the GM&N began to redouble its efforts to marge with the M&O. It seemed that there was no hope for the GM&N to survive as a rail unit unless it become a part of a bigger system. Thus the turn of circumstances which had forced the GM&N to change from the NC&STL tracks to those of the IC also drove the GM&N into its efforts, which finally succeeded, to find a way to merge with the M&O.

In 1932, when the M&O first slipped into bankruptcy and receivership, the management of the GM&N began a careful investigation of the desirability of merging the two companies into one transportation system. The more the matter was considered, the more it became evident that both lines would profit by the union. Such a consolidation, if carefully arranged, would go a long way toward solving all of the long-run traffic problems of the GM&N and at the same time would strengthen the M&O.

The biggest obstacle to the merger would be the fact that the two roads were paralleling, and hence competitive, from Mobile to Jackson, Tennessee. Normally, no such action as a merger could ever be expected. In this instance, however, there were factors which encouraged and almost demanded the merger. Individually, both of these lines were weak and apparently could not stand alone against their stronger competitors. As a combined unit, without abandoning service to any section, the two roads should be able to survive and render a superior type of service to their territories. The GM&N's line from Union, Mississippi, to Jackson and New Orleans would provide traffic for the M&O line from Jackson, Tennessee, to St. Louis. The business of the GM&N which now moved from Jackson, Tennessee, to Paducah and then north on the Burlington would flow over the M&O to St. Louis. The GM&N, in turn, would receive added volume for its Union–Jackson, Mississippi–New Orleans line because the M&O's former preferred connection was the New Orleans and

Northeastern at Meridian, Mississippi. Thus both roads could add profitable traffic volume to sections of the other.

The most important gain for the GM&N would be a permanent arrangement to enter a major terminal such as St. Louis. Since its trackage agreement to Paducah was subject to the dictates of its most active competitor, the GM&N might at some future date be forced back to the position it occupied in the early years of 1920–25. The merger would give the M&O freedom from the restrictions of receivership. In addition, it would permanently remove the influence of the Southern, which had at times dictated policy which was injurious to the M&O although profitable to the Southern system as a whole. At the same time, both roads would be able to realize savings from consolidation of certain facilities at common points on the lines, primarily at Mobile, Meridian, and Jackson, Tennessee; and both roads should be able to effect savings in off-line traffic solicitation offices.

Not until eight trying years had passed did the merger become a reality, but once the consolidation was completed the new GM&O emerged as a major sectional road which held great promise of being a successful, permanent factor in the transportation circles of the United States. The GM&N management team with a few changes and additions took over the GM&O. Immediately it began to institute economies on the M&O side of the Company. At the same time it began a vigorous campaign to develop new business much in the pattern of its earlier efforts on the GM&N. Within a relatively short time the two properties were merged in spirit as they had been in name. The transportation world acclaimed the consolidation as one of the most important events in modern rail history, but the managers of the old GM&N were satisfied to know that they had solved the problems which had been facing them ever since March, 1920.

THE ALTON ACQUISITION—1947

A new rail system stretching from Chicago to the Gulf was formed in 1947 when the GM&O merged the Alton Railroad into its operations. This end-to-end consolidation was quite unlike the M&O–GM&N combination.

The Alton sector of the new Company could expect to gain large amounts of traffic from the GM&O because of the ability of the GM&O's traffic solicitors to control the routing of much of the

freight that originated on the GM&O lines. The Alton also secured the services of an ambitious management team which had made a name for itself by cutting expenses and building traffic.

On the side of the GM&O, some traffic from the Alton territory could be directed onto the GM&O's lines, south of St. Louis. Also, the GM&O secured the Alton's lines and property without any additions to the fixed charges of the GM&O except for equipment obligations. The GM&O had an opportunity to effect certain economies on the Alton lines at once and to add a substantial tonnage to the Alton's trains as well as some to the GM&O's former lines. The Alton had a foothold in the rich industrial and commercial regions around Chicago, St. Louis, and Kansas City. If more traffic could be induced to use the Alton–GM&O lines while expenses were held in check, the expanded system should prosper greatly in the long run.

Although the newly enlarged GM&O has not been tested by a major business decline, it appears that the merger of the Alton and GM&O lines is going to be quite successful. At least the net income figures of the road since 1947 seem to give this indication.

ALTERING THE ENTRY INTO BIRMINGHAM—1950–52

The most recent important development in the growth of the GM&O has been the move to alter the leased trackage route into Birmingham. This action was begun publicly in 1950 but had been desired by management ever since the GM&N merged with the M&O. In 1950 the GM&O asked the Interstate Commerce Commission for permission to cease using the tracks of the IC and the Southern from Corinth, Mississippi, to Birmingham. Instead, the GM&O wanted to use the tracks of the L&N from Tuscaloosa to Birmingham, thus shortening the off-line mileage for the GM&O by 117 miles. This move would also enable the GM&O to give much better service between New Orleans and Birmingham, as well as between Mobile and Birmingham, since Artesia, Mississippi, would be the point of departure from the main line rather than Corinth.

In the spring of 1952 the GM&O, with ICC approval, began using the shorter route over the L&N tracks. The Commission did not free the GM&O from its inherited perpetual contract with the IC, however. Instead, the Commission advised that only the courts could settle such matters. As a result, the GM&O is now asking that the contract between its predecessor, the M&O, and the IC be terminated. The GM&O contends that contracts of this type are inimical

to the best interests of the parties involved and to society at large. If there is no way to set aside perpetual contracts, even though generous compensation is offered, then the rail system of the country is frozen into a rigid mold at a time when the transportation needs of the country are changing to keep pace with an ever-developing economy.

Unfortunately, since court decisions come quite slowly, in all likelihood it will be years before the case is settled. The GM&O will continue to use the shorter L&N route into Birmingham, whatever the outcome of the case for cancellation of the contract. Meanwhile, the GM&O has ceased making payments which, under the contract, are due to the IC. The two companies have agreed that further payment should await determination by the court of the GM&O's obligation under the changed circumstances.

From this statement of the growth program of the GM&N–GM&O, it is easy to see that consolidation has been the visible, spectacular factor in the rise of the road. Its weak 409-mile line of 1920 has grown into a stable, prosperous system of almost 2,800 miles, and not more than 75 miles of this addition has been by construction. It is important to remember, however, that the merger program was not carefully planned in 1920 and then executed in later years as conditions permitted. True, the long-range objective of the Company, ever since the reorganization in 1917, has been to expand into a through rail line. Only two minor parts of the plans of 1917, however, were carried out: (1) the purchase of the Meridian and Memphis, and (2) the building of the extension from Middleton to Jackson, Tennessee. The road did get a line into New Orleans and a permanent route to a major interchange point at St. Louis, but the Company had no idea in 1920 that it would expand by way of Jackson, Mississippi, to the south, nor did it dream of merging with the M&O, which at that time was an important part of the very prosperous Southern.

The consolidation program of the GM&N–GM&O may be explained as the careful, intelligent solution of problems which, from time to time, faced a team of dedicated railroad managers. In 1920 these men were charged with the task of administering the affairs of the weak 409-mile railroad. Their job was to serve the territory and to improve the earning power of the line as much as possible, both in the immediate present and in the long run. As they endeavored to render service to the territory traversed by the road and to earn

profits by so doing, they saw opportunities to improve both service and long-run profit potential by consolidations with neighboring roads. The merging of these properties has created the GM&O of today, which is still devoted to its task of serving its public and seeking to earn a return for those who have invested their capital in the Company.

CHAPTER · XIX

Major Factors in the Growth of the Gulf, Mobile and Ohio System

MANY factors have had an effect upon the growth of the Gulf, Mobile and Ohio system from 1920 to the present time. The evidence which is available, however, indicates that the quality and continuity of executive direction has been the most important influence on the Company's development over the past thirty years.

THE BOARD OF DIRECTORS

Although the Board of the old Gulf, Mobile and Northern had several changes in membership in the years from 1917 to 1940, these changes in personnel caused no appreciable change in Company policy or tactics. Since the creation of the GM&O in 1940, changes in Board membership have been more frequent but Company policy has been just as constant as it was before the creation of the new Company.

Corporate Policy

Before the GM&N was really organized as a company, the men who later were to form its Board of Directors decided that the primary long-run objective of the new Company would be to develop a new through rail route from the Gulf to the Midwest. Not once in the GM&N's existence was the policy of expansion effectively challenged, even though the program allowed few dividends and in some instances caused hardships for the Directors of the road. The policy of expansion was so strong that not even the Chicago, Burling-

ton and Quincy representatives, who either directly or indirectly controlled at least 40 per cent of the Company's stock, tried for long to prevent the merging of the GM&N and the Mobile and Ohio which resulted in a change of traffic away from the Burlington. This action brought losses to the Burlington, but it allowed the GM&N to expand into a major sectional road.

Financial Policy

The Company's financial policy was specifically designed to assist the growth program of the road. The greatest single action in keeping with this policy was elimination of the bonded debt of the New Orleans, Mobile and Chicago, prior to 1917. The Board assumed that by this step the new GM&N would be assured of a credit potential with which it might build a bigger and better railroad. The fact that the bonds of the former company were of doubtful value does not detract from the decision to forgo interest in the hope of someday receiving greater returns in dividends and stock appreciation.

Further evidence of this financial policy is the fact that in later years dividends were never paid unless the road had sufficient funds on hand or in sight to care for planned improvements or expansion. The stockholders who previously had been bondholders wanted to receive earnings on their investments, but this desire was subordinated to a long-run plan of development which could be carried out only through improvement of the road. Before the former bondholders of 1915 ever received a penny in dividends on their new stock, the GM&N had issued $4,000,000 in bonds, which placed the former bondholders in a junior position insofar as liquidation of holdings was concerned. Not many railroads have ever had such a strong desire for expansion that their owners took as much risk as those in control of the GM&N in the years from 1915 to 1922.

The Board of Directors of the GM&N established the corporate and financial policies of the Company. The Board also selected their fellow, I. B. Tigrett, to be the executive to carry out this program. During the early years of the 1920's the Executive Committee of the Board was in very close touch with the administrative activities of the Company. In a very large measure, however, the day-to-day operating policies were chosen by Mr. Tigrett and his full-time associates on the road.

EXECUTIVE MANAGEMENT

The operating management of the GM&N–GM&O has had an even more remarkable record for length of service than the members of the Board of Directors. Mr. Tigrett began his administration of the Company in March, 1920, as President, and as Chairman of the Corporation is still in full control as the chief executive officer of the road. Mr. Hicks, who succeeded to the presidency of the GM&O in November 1952, was chosen by Mr. Tigrett to be Comptroller in 1919 and has been Mr. Tigrett's confidant and principal assistant ever since. No Class I railroad in the United States has had a longer record of continuity in top management than the GM&O system.

The various department heads of the GM&O have served the Company almost as long as Mr. Tigrett and Mr. Hicks. Two of the present vice-presidents, H. E. Warren, in charge of the Purchases and Stores Department, and S. A. Dobbs, Chicago Executive Representative, were working for the Company prior to 1920. Both R. E. DeNeefe, the Comptroller, and Mr. Brock, Executive Vice-President and General Manager, joined the Company in 1922.

L. A. Tibor, Vice-President in charge of Traffic, joined the company in 1926. T. T. Martin, Vice-President in charge of Industrial Development, quit teaching school in 1927 and joined the employees of the Company. R. E. Stevenson, Vice-President and Executive Representative in St. Louis, went to work as secretary to the general passenger agent in 1928.

Mr. Brown of New York had been Secretary of the Company as well as assistant treasurer for several years before 1920. He joined the Board of Directors in the early 1920's and was made a vice-president to represent the company in the financial circles of the east. He resigned from both positions in 1943 after the company had carried out its merger program with the Mobile and Ohio.

Mr. Flowers, Vice-President and General Counsel at the time of his retirement in 1947, was an attorney for the road in 1920. His special assignment was legal representation in the important state of Mississippi, and his home was in Jackson, its capital. The legal battle to merge the GM&N and the M&O was his responsibility, and much of the success of the program must be placed to his credit.

Many of the assistant vice-presidents and other key employees have been in the service of the Company for twenty or thirty years.

These men, truly, have "grown up" with the road, so that at the present time they know without asking what Company policy is and what needs to be done to effectuate it. Thus, only a minimum of direction is needed to conduct the day-to-day business of the Company.

Public Relations

The campaign which the GM&N began in 1920 to develop better relations with the public it served had the full support of the Board of Directors, but the program was directed by the President and his assistants. The Board allowed Mr. Tigrett to pursue his own suggestions to gain public support for the Company and its growth campaign. The program of public speeches and newspaper advertisements which served the road so well was developed in Jackson, Tennessee, and Mobile. The Company adopted the policy of never making a major move of any type without fully informing the public as to the causes and objectives of these moves. Sometimes the information was not to the public's liking, but at least the people along the line felt that they knew what was happening to "their" railroad.

In addition to informing the public of all moves, the Company has followed the policy of trying to serve the transportation needs of the territory insofar as the Company has been able to do so. The GM&N has never given the impression that it intended to serve without profit to itself, but the road has been willing to consider new methods to serve some of its sparsely populated territory. Passenger service has never been a money-making activity on the southern lines of the GM&O, but the Company has never abandoned all passenger service in an area unless a substitute method of travel was available for the people who lived along the road.

The modern day GM&O expects to continue to broaden its public relations efforts in the days ahead. When Mr. Tigrett's title was changed to Chairman of the Corporation in November, 1952, a new position of Assistant Vice-President, Public Relations was created. Mr. Berney M. Sheridan, who has been with the Company for many years, was elevated to this position.

Labor Relations

Labor relations policies, too, have been established by the executives on the road rather than by the Board. On a small road like the GM&N in 1920, it was quite easy to be available to employees to discuss their problems. In the early years especially, management

held informal group discussions with employees at various points along the line to explain Company policies and objectives. As the Company has grown, management has tried to continue these discussions, even though the problem of size has caused difficulties in scheduling meetings.

The GM&N–GM&O management has tried to serve its employee groups whenever the needs of the Company would allow it. The Company set up group insurance as soon as it could financially arrange to do so and has consistently worked to improve the health and safety program. The efforts to improve living conditions of employees by guidance and assistance have been of great value in maintaining good labor relations.

In spite of its desire to maintain good labor relations, the management of the GM&O system has never hesitated to disagree with the labor viewpoint if Company policy seemed to call for such action. The Company has chosen to be frank and outspoken when it does differ with brotherhood representatives. As a result, although labor groups on the road may not always get what they want, almost none of the employees feel that they will be betrayed by the top executives of the Company.

One reason that the management team of the GM&O has had such favorable labor relations is that, in general, the department heads of the road have worked as hard as, or harder than, the ordinary employees. Especially in the decade of the 1920's and the depression years, the executives of the GM&N worked long hours, they were personally frugal, and they paid close attention to railroad affairs. One factor in this situation is that Mr. Tigrett's salary has always been low in relation to his duties and responsibilities. Another has been Mr. Tigrett's insistence that he was a railroad manager hired to operate the Company for the benefit of his stockholders and the citizens of the territory traversed by the road. In no instance has the President's office or position been used to enable him to profit from movements of his Company's stock in the exchanges of the country. He is not now, nor has he ever been, a dominant stockholder in the GM&N–GM&O.

Operations

The operations policy of the GM&N–GM&O has been to render full transportation service to the territory occupied by the road. The Company began with rail service, but it started to use highway facilities about as soon as the roads of rural Mississippi made such

activity possible. During World War II the Company made plans to begin air transportation for the region it served, but these plans did not materialize.

The primary objective of the Operating Department of the Company has been to reduce operating expenses on current operations whenever possible. The abandonment of unprofitable branch lines and discontinuance of uneconomical passenger service has been encouraged. The Operating Department has been quick to suggest ways to offer substitute service, however, so that the areas affected would not be isolated. Much of the success of the GM&O can be traced to the very active and constant work by this department to cut expenses while rendering approximately the same level of service. Executive Vice-President and General Manager Glenn Brock has a motto which typifies the operating policy of the road. He believes that "some item of the expense budget must be reduced today so the road can be ready to withstand the increases which are bound to occur tomorrow."

In keeping with the policy of reducing expenses whenever possible, the GM&O has never tried to develop a "fancy" roadbed. No one is likely to hear that the GM&O owns the "finest roadbed in the United States." The Company does try, however, to apply the best quality materials which will allow the greatest ease in maintenance and give the longest life consistent with proper use. The roadway and equipment of the GM&O are considered as tools designed for a special task. These tools are to be given the best care possible to lengthen their useful life, but the primary aim of the GM&O is not to possess the finest tool chest in the country at the expense of a full purse. For the same reason, much of the roadbed of the GM&O is still "rolling." The expense of removing the humps is so great that elimination is not justified by present use, especially since Diesel power makes them less troublesome from an operating standpoint.

Traffic Development

The traffic policy of the GM&O has been as tightly controlled as has its operating policy. The basic objective has been to add profitable tonnage to the line in every acceptable manner. In the early days of the 1920's the road had little to sell but employee loyalty. This the road began to do in a series of campaigns designed to get more business. Because the employees were so interested in the growth of "their" railroad, the campaigns were very effective in "pulling the road up by its own boot straps." At the same time, the

Company began to seek interchange agreements with other roads by "trading" tonnage when it left the territory of the GM&N. The effort was successful because of the loyalty of most of the shippers along the lines of the GM&N.

While the Company was seeking all the profitable traffic available to its existing lines, it also was busy mapping plans to extend its lines by construction, rental agreements, or merger. The primary purpose of any extension of the GM&N was to increase the volume of traffic over the existing lines of the Company or to get a longer haul on available traffic. All additions to traffic volume had as their purpose the enlarging of net revenues of the operations of the Company. No one was allowed to forget for a minute that an improved net income was *the* objective of the road. The GM&N itself was created as a result of the collapse of the New Orleans, Mobile and Chicago after an unwise traffic agreement and rental contract had weakened the company. The management of the GM&N did not intend that that should happen to the new Company, and all major policy was designed to provide funds to protect the growth of the line.

EMPLOYEE CO-OPERATION

Even though a capable group of executives may be in control, the success or failure of any railroad is greatly influenced by the loyalty and effectiveness of the total employee group. The GM&N family in the early 1920's developed a magnificent spirit of co-operation, and it devoted its best efforts to learning how to operate a railroad effectively. Certainly the early success of the GM&N would not have been so great if the employees had not given of their best to make the road grow.

Although the number of employees of necessity grew considerably larger after the founding of the GM&O, much of the spirit of co-operation and interest in the affairs of the Company remains in the employees of 1953. The GM&N–GM&O has been blessed with a splendid group of workers which makes all the Company's problems seem lighter to those in charge of the affairs of the road.

INFLUENCE OF OTHER RAILROADS

The Illinois Central

Another of the vital factors in the growth of the GM&N–GM&O has been the influence of other railroads. By far the most important of these lines is the IC. Prior to 1926 the IC acted as a friendly big

brother to the little GM&N and at one time there was much talk of the impending purchase of the GM&N by its big neighbor. This development never took place, but during these early years the IC was the GM&N's best friend. The IC gave better joint rate divisions, it exchanged tonnage at Jackson, Tennessee, and it gave helpful advice to the operators of the GM&N. After Mr. Odell came to the GM&N from the Operating Department of the IC and brought several operating men with him, the operations departments of the two companies were very close.

When, in 1926, the GM&N announced its plan to enter into the preferential traffic agreement with both the New Orleans Great Northern and the Burlington, conditions between the two companies immediately changed. The IC endeavored to pull business away from the GM&N and to reduce the volume of New Orleans traffic which the new route might obtain. The IC, however, did not attempt to block consummation of the plan by opposing it before the Interstate Commerce Commission.

During the bitter days of the depression, the GM&N needed a new trackage agreement to reach Paducah from Jackson, Tennessee, and the IC rather surprisingly agreed to let the GM&N use its tracks. The primary reason for this development was the desperate need of all railroads for any increase in revenues, and the trackage agreement provided for substantial payments to the IC.

This trackage agreement was cancelled by the IC in 1936 under pressure from its railway brotherhoods. The cancellation threw the two companies into a bitter legal battle which lasted up to the time of the GM&N–M&O merger in 1940. The IC fought to prevent the merger, but the Interstate Commerce Commission refused to give much weight to the arguments put forth by the larger road. Once the IC saw that it was defeated on this proposition, it made peace with the new GM&O, and since 1941 the two companies have adopted a live-and-let-live policy. Competition is very keen, but both managements have been careful to avoid acrimonious situations. The IC offered no opposition to the merger of the GM&O with the Alton Railroad and only appeared at the hearings to request that all existing gateways be kept open. This the GM&O agreed to by stipulation before the hearings really started.

The GM&O interchanges more business with the IC than with any other road. The two lines are so close in much of their territory that these and other contacts are unavoidable. For instance, the two companies use the Cairo bridge of the IC in common. The

GM&O pays 40 per cent of the interest charges and expenses for maintenance of the span. The IC has a similar arrangement by which it uses the tracks of the GM&O from Jackson, Tennessee, to Corinth, Mississippi. Until March, 1952, the GM&O used the line of the IC from Corinth to Haleyville, Alabama. Both companies are eager to compete for traffic, but they also want to avoid friction wherever possible because of mutual self-interest.

Since the Gulf, Mobile and Ohio has been attempting to cancel its Birmingham trackage agreement, the legal departments of the two roads have been battling each other but up to the present no other friction has appeared as a result of the case. In all probability the situation will be settled without another public fight similar to the one which took place prior to the Gulf, Mobile and Northern–Mobile and Ohio merger.

The Burlington

Except for the IC, the Burlington has had more influence on the development of the GM&O than any other railroad. The close preferential traffic agreement of 1926 was the beginning of contact between the two roads. After that date the Burlington began to buy small amounts of stock in the GM&N with the intention of acquiring control. At one time during the depression, the Board of Directors of the GM&N discussed a proposal by the Burlington to complete acquisition, but this was never accomplished. The Burlington ceased purchasing when its stock ownership of the GM&N reached about 30 per cent of the total stock outstanding.

When the GM&N began to consider merging with the M&O, the Burlington expressed definite opposition to the idea, because it would stop the traffic flow at the Paducah interchange point. Fortunately for the future GM&O, the Burlington eventually decided not to block the proposal. The merger went through, and the GM&O profited, while at the same time the Burlington and the IC suffered losses in tonnage and revenue. Creation of the GM&O caused the Burlington stock interest to drop to about 12 per cent, and the Alton merger reduced this to about 9 per cent. During the years from 1930 to 1940 the Burlington had a strong representation on the Board of the GM&N, but since the formation of the GM&O, no Burlington representatives have been Directors of the Company. Relations have been friendly and co-operative, but there has been little direct interchange of traffic between the two lines.

When the GM&O acquired the Alton, the Burlington expressed

an interest in using the Kansas City line, first in conjunction with the Atchison, Topeka and Santa Fe and later by itself. At the present time the Burlington is using the Kansas City–Francis section of the GM&O line for freight service into St. Louis. This is by trackage agreement under which the Burlington pays a large share of maintenance and other expenses on the line.

The GM&O did not desire an east-west line because its major traffic flow is north-south. If the Burlington had not evidenced its interest in the Kansas City line, the GM&O might never have considered purchase of the Alton properties.

INFLUENCE OF GOVERNMENT AGENCIES

The Interstate Commerce Commission

The Interstate Commerce Commission must be listed as a major factor in the growth of the GM&O during the period from 1920 to the present. In the years prior to 1925 the Commission rendered several decisions which helped the struggling GM&N to stay alive. Some of these were rate cases in which the Commission tried to give the GM&N a better division or special treatment as a weak railroad. Also, the Commission acted favorably on the GM&N's request for government financial aid just after March 1, 1920.

Another early decision of the Commission helped the future growth of the GM&N. The Commission supported the request to build the Jackson and Eastern from Union to Jackson. This permission, granted in 1921, was what allowed the GM&N to build into Jackson, Mississippi in 1926–27.

The Commission in 1926 gave its permission to the GM&N, the New Orleans Great Northern and the Burlington to develop their three-line route from Chicago to New Orleans. The Commission supported the arrangement for the express purpose of opening up competition for the New Orleans traffic which moved east of the Mississippi River.

The biggest boost which the Commission gave to the GM&N was in its plan to merge with the M&O. In this instance the Commission allowed parallel and competing lines to merge which it has often refused to sanction in other situations. Apparently the Commission was so eager to develop another Mississippi Valley carrier that it subordinated its scruples about merging parallel lines.

Although the case had a much different basis, the Commission

also supported the GM&O in the acquisition of the Alton on the same general idea of creating a new through trunk line from Chicago to the Gulf.

State Commissions

The public service commissions of several states often proved willing to help the GM&N–GM&O to continue its growth. In the formative years of the road, the Mississippi Public Service Commission was generally favorable to the moves of the Company. The Mississippi and the Alabama commissions both supported the GM&N–M&O merger case before the Interstate Commerce Commission. None of the regulatory agencies has supported every application of the GM&N–GM&O, but in general the commissions have been quite receptive to the suggestions of the Company.

The Reconstruction Finance Corporation

Another government agency which came to the assistance of the GM&N–GM&O at a critical time was the Reconstruction Finance Corporation. RFC money was used to finance the GM&N–M&O merger in 1940. Before the transaction was concluded, the head of the Reconstruction Finance Corporation, Jesse Jones, became an active supporter of the plan. He called on President Roosevelt in an effort to delay the signing of the Transportation Act of 1940 so the merger could be completed. The merger was completed on September 13, 1940, and the Transportation Act became law five days later, on September 18.

AVAILABILITY OF COMPLEMENTARY LINES

The Jackson and Eastern

The availability of the complementary lines which were merged into the GM&O must be classed as one of the major factors in the growth of the road. The little Jackson and Eastern with its franchise to build into Jackson was vital to the GM&N in 1926. It is extremely unlikely that the GM&N could have secured such a franchise in 1926. There was no real reason to prevent the purchase of the Jackson and Eastern, however, so the GM&N secured its entry into Jackson, Mississippi, in that manner.

The New Orleans Great Northern

The New Orleans Great Northern was also vital to the growth plans in 1926. The New Orleans Great Northern had been built by

wealthy lumbering interests to serve their sawmill operations. Original plans had called for it to be built on toward the north from Jackson, Mississippi, but a shortage of capital caused it to stop at that point. The road served a valuable local territory but had little hope for development because the IC, which controlled all lines moving to the north out of Jackson, also had two lines going south to New Orleans. Another circumstance made acquisition by the Gulf, Mobile and Northern rather easy. The New Orleans Great Northern in 1929 was still controlled by its lumber company sponsors, who were not interested in operating a railroad as long as they received good service from the line and were paid reasonable dividends from its operation.

The Mobile and Ohio

The Mobile and Ohio was available to merge with the GM&N almost by chance. When the Southern Railway bought control of the M&O in 1901, the plan was to merge the M&O into the Southern. Governor James K. Vardaman of Mississippi intervened, however, vetoing a bill in 1902 (which had passed both houses of the Mississippi legislature) to allow the M&O to be merged into the Southern. Vardaman, who hated and feared most corporations, had a special animus against the Southern. His veto in 1902 undoubtedly influenced the fate of the GM&N in 1940.

Since the Southern could not merge with the M&O, it proceeded to treat it somewhat like a stepchild and finally in 1932 allowed the M&O to go into receivership. Still later, the Southern needed cash so badly that it was willing, under RFC demands, to sell its M&O bonds. The cash from this sale was used to pay some of the obligations which the Southern owed to the Reconstruction Finance Corporation; so Jesse Jones was helping the GM&O and at the same time collecting a debt when he helped complete the Gulf, Mobile and Ohio merger.

The Alton Railroad

The availability of the Alton in 1947 was almost as fortuitous as the case of the M&O. E. H. Harriman and associates bought the Alton in 1899 at a fabulous price, because the road had been a well-operated and highly prosperous company for thirty-five years. For a variety of reasons, however, the Alton was not permanently held by the Harriman syndicate. Instead, it passed to the Chicago, Rock

Island and Pacific (Rock Island) and then to several other large roads in the years from 1906 to 1930. No strong successful management acquired the Alton in that period, and the road drifted from one bankruptcy to another. In 1930, friends of the Alton thought its troubles were over, because in that year the Baltimore and Ohio acquired control of the line. Since the B&O served Chicago and St. Louis, the acquisition seemed to be logical enough on the surface. Perhaps the plans and hopes of the B&O might have worked out had it not been for the great depression, which had already started when the B&O bought its Alton securities. In the general debacle which followed 1930 the B&O lost heavily as a result of trying to save its investment in the Alton. Not only was the Alton too heavily capitalized, but the road did not supplement the B&O as that company had hoped. Railroads which operated between Kansas City and St. Louis no longer wanted to exchange tonnage with the B&O at St. Louis. Through ownership of the Alton, the B&O had ceased to be an "eastern" line only. It now was a "western" road, too, and had to face the competition of the other western roads. As a result, the B&O actually lost business by owning the Alton. Finally in 1942 the decision was reached to let the Alton go back into its familiar position as a ward of the courts.

After all other western roads refused to have anything to do with the Alton, Mr. Budd of the Burlington decided that perhaps the GM&O could use the St. Louis–Chicago line and that the Burlington might acquire the Kansas City line from the GM&O. As a result of these and other negotiations, the GM&O became interested in the unwanted Alton with its proud early history but sad recent experiences.

ECONOMIC DEVELOPMENT OF THE GM&O'S TERRITORY

When considering important factors which have influenced the growth of the GM&O, the general economic development of the territory served by the road must not be overlooked. The fate of every railroad in the long run depends upon the volume of traffic produced by the territory traversed by the road. When economic conditions in a territory improve, the railroad serving that area should improve also.

The South, from which the GM&N–GM&O has emerged, has had a rapid change in its economic activity since 1900–20. Mississippi in particular has advanced in many ways. No longer is her economy

tied solely to cotton and timber, although both those items are still important. Even in those areas, however, progress has been made. This is especially true of the timber industry, which was marked for extinction some thirty or forty years ago. New uses of timber have resulted in farming of timber rather than cutting the land bare. Much of the "piney woods" country of South Mississippi is producing annual cash crops of pulpwood and small trees for specialized lumber uses. This type of forestry is much better for long-range railroad operation than the older method of rapid depletion of timber followed by economic decay.

In addition to the better use of timber and farming resources, the state has discovered salable quantities of oil and natural gas as well as some usable mineral clay deposits. These newly discovered resources are being used in a more intelligent manner than was the case with the timber supply. Severance taxes have been instituted to increase the life span of the resources and to encourage long-range planning.

Mississippi's famed "Balance Agriculture with Industry Program" was not started during the 1920's, but the state was experiencing a phase of urban growth which had a decided effect on the state's activities. There are no very large cities in the state even yet, but urban population has decidedly increased since 1920. Small industrial plants have been started which tend to create wage earners and also tonnage for railroads.

Another development in the area has been the changed attitude of state and local governments toward industry. The state of Mississippi has moved a long way since the legislature passed the law which prohibited the entry into the state of any corporation worth more than a million dollars. At the present time, manufacturing plants are often given tax exemption for a number of years, and in many instances buildings are erected with public funds to house manufacturing establishments. Much of the industry thus obtained is light and relatively unstable, but as the skills of the people of the region grow, more profitable industry should follow.

In the state of Alabama, the biggest single improvement which affected the GM&N was the resurgence of the port of Mobile. The community awakening in the city finally caused the state to spend more than ten million dollars to create a modern ocean terminal. This improvement has brought much more business to Mobile,

which has resulted in increased tonnage for the GM&N and the GM&O.

If the economy of the lower South had declined in the years from 1920 to 1940, the GM&N probably would have declined with its territory. Instead, both the region and the railroad seem to be prospering together. Now that the GM&O has moved out of the class of regional railroads, it should have an even better chance to develop an operating pattern which will enable it to withstand economic storms that may lie ahead.

PART · V

History of Predecessor Lines

CHAPTER · XX

Lines Acquired Prior to 1930

THE BIRMINGHAM AND NORTHWESTERN RAILWAY COMPANY—1910–29[1]

For many years prior to 1910, Jackson, Tennessee, had seen the advantages of railroad transportation. This town was fortunate enough to be the point at which three important rail lines crossed, and railroad wages provided much of the financial support of the community. Because all of these roads were prosperous at the time, it was comparatively easy to organize another rail company which proposed to bring more income to the coffers of Madison County's "metropolis." A railroad was planned which, it was hoped, would someday extend from Birmingham, Alabama, to Kansas City, Missouri. The line was designed to cross Tennessee on a diagonal line from Corinth, Mississippi, to a point on the Mississippi River northwest of Dyersburg. The road would thus serve Jackson, instead of Memphis as the line which is now known as the Frisco did.

Because promotional strength for the line came from Jackson's citizens, its construction started there also. The first link was to join Jackson with Dyersburg, Tennessee, some 49 miles away. The city of Jackson was to put up $75,000 to aid construction. Dyersburg contributed $50,000, and the town of Bells advanced $16,000. In addition to these sums provided by the municipalities, interested individuals signed notes in favor of the project which provided $50,000.

With this backing, the company, known as the Birmingham and Northwestern Railway Company, was able to begin construction on July 1, 1911. The corporation had been started on August 16, 1910, with the granting of a charter by the State of Tennessee, but it had

taken almost a year to lay the groundwork so that actual construction could begin.

Work progressed smoothly and by April 20, 1912, 38 miles of the line were ready for operations. The first sector extended from Jackson to the station of Tigrett. The rest of the work was pushed rapidly to a conclusion, and on June 16 the remaining 11-mile sector was put in service, connecting Dyersburg with Jackson.

The work was done by the Jackson Construction Company, which had been organized for the specific purpose of building the road. Many of the men who later were officers and directors of Birmingham and Northwestern Railway Company were also officers in the construction company.

Construction was completed by means of the sums advanced by the sponsors and by the use of funds borrowed from local banks. Permanent financing was then undertaken by issuing $800,000 in 5 per cent bonds and $300,000 in common stock. $191,000 in stock was issued to the cities and individuals who had acted as sponsors, $103,000 went to the construction company as part payment for its work, $4,200 was paid to R. M. Hall, president of the Jackson Construction Company, for surveys and profile maps of the road, and $1,800 was sold for cash.

When the line began operations in 1912 it had as its president I. B. Tigrett, a prominent young banker of Jackson. This was the first time the 32-year-old Tigrett had ever been associated with railroad affairs. The major reason for his entry into railroading at this time was the fact that his bank held most of the bonds of the Birmingham and Northwestern Railway Company, and the bank wanted an experienced financier in charge of the funds of the line to see that interest payments were prompt and continuous.

Since the new president of the road was not experienced in railroad operations, he served in a part-time capacity only and still held his position in the bank. The actual operation of the line was controlled by its full-time employees.

The road immediately became an important local thoroughfare, moving much of the produce of the region to market in Jackson and Dyersburg. Passenger service was offered also, and this business prospered at the time, although the trips of each traveler were generally very short. Movement primarily was from the rural sections to and from one of the two terminals. Thus the road performed the

function which these two towns desired when they agreed to help sponsor the line. Such things are impossible to measure exactly, but it is probable that in the long run the merchants of Dyersburg and Jackson profited many times more than the $125,000 which these cities advanced in the building of the road.

The line was never a major money maker, however, and never in its life did the Birmingham and Northwestern Railway Company pay dividends on its $300,000 common stock.[2] Partly for this reason and partly for others, the line was not extended beyond the original 49 miles which was completed in 1912. The problem of crossing the Mississippi River served as an effective block on the northwest end of the line, and Jackson was already tied to Birmingham by the line of the Illinois Central which had been built only a few years before 1912.

The Birmingham and Northwestern Railway Company had 4 locomotives, 5 passenger cars, and 92 freight cars which produced $120,000 in revenue for the year ending June 30, 1916.[3] Operations for the year showed a deficit of $17,000 which indicates the problems the road faced at that time. It apparently was successful during the next year, however, for the report ending December 31, 1917, showed a net profit of $53,000. This later turned out to be the high water mark of the line's earnings for with the advent of federal control, profits decreased and then vanished. After the war years, the Birmingham and Northwestern found conditions much changed and its problems increased year after year until the little line was taken over by the Gulf, Mobile and Northern.

When Mr. Tigrett became President of the GM&N in 1920, he ceased to direct the affairs of the Birmingham and Northwestern Railroad Company, although he retained his affection for the line and its home town of Jackson. In fact he never moved away from Jackson and thus kept in close touch with the affairs of the Birmingham and Northwestern. Also, he saw that the Birmingham and Northwestern could work profitably with the GM&N in many instances, so he brought the two roads as closely together as he could. The GM&N used the station facilities of the Birmingham and Northwestern in Jackson, rather than construct its own, and the two roads developed joint tariffs which proved mutually beneficial.

Because of the mutuality of interests of the two lines, the GM&N tried to purchase the securities of the Birmingham and Northwestern

Railway Company in 1922, but the Interstate Commerce Commission refused to agree to the proposal.[4] In March, 1924, the GM&N, with ICC approval, purchased the bonds of the Birmingham and Northwestern and acquired an option on 2,000 of the 3,000 shares of stock. Finally in March, 1927, the Commission agreed to acquisition of all Birmingham and Northwestern Railway Company securities by the GM&N. After this transaction was completed, the GM&N operated the Birmingham and Northwestern under a lease which paid the Birmingham and Northwestern Railway Company $40,000 a year. This did not quite pay the interest on the then outstanding Birmingham and Northwestern bonds, but since the GM&N had purchased all of these securities, it mattered little if interest payments were less than adequate.

For practical purposes, the Birmingham and Northwestern Railway Company ceased to function in 1927, but its legal existence was continued until 1929. In July, 1929, the Interstate Commerce Commission authorized the GM&N to acquire the property of the Birmingham and Northwestern which was accomplished in September of the same year.[5] With this action the corporate activities of the Birmingham and Northwestern Railway Company came to a close, its lines formally becoming part of the larger GM&N.

THE MERIDIAN AND MEMPHIS RAILWAY COMPANY—1911–29[6]

"North of the Alabama and Vicksburg Railway and situated between the main line of the Mobile and Ohio Railroad and the New Orleans, Mobile and Chicago Railroad . . . a large tract of standing timber considerably removed from rail communication remained untouched by the woodsman's axe and in 1911 Mr. Sam Neville, an enterprising citizen of Meridian, Mississippi resolved to construct a railroad through this timber and on August 29, 1911, incorporated the Meridian and Memphis Railway."[7] This early statement about the Meridian and Memphis clearly sets forth the purpose of construction of this road. It was to be a pathway to bring the lumber of its region to more profitable markets.

Neville, like most of the railroad promoters of the day, did not intend for his road to stop at Union, Mississippi. His stated terminal was a point at or near Winona, Mississippi, on the IC. If this had been done, his road would have run northwestward about 100 miles from Meridian, but the first construction project was the only one started. The road never went beyond Union, Mississippi, some 32

miles from Meridian and about 18 miles north of Newton, Mississippi, which is on the old Alabama and Vicksburg Railroad.

Construction began on February 1, 1912, and by June 30, 1913, the first 30 miles of line was ready for service. It was not until December, 1913, that the line was opened into Union and trains were able to operate over the entire distance.[8]

The Equitable Loan and Mortgage Company of Mobile, Alabama, acted as banker for Mr. Neville in this project. This firm advanced $478,714.41 to Neville during construction. The city of Meridian donated lands worth approximately $50,000 to the undertaking and several interested lumber companies helped in various ways. When the line was completed, the road issued $675,000 face value of 5 per cent bonds to the Equitable Loan and Mortgage Company in payment of its loan account. These bonds were given a discounted value of $401,127.75, about $174,000 less than face value. The road also issued $500,000 capital stock to Neville for his work in developing the line.

For the year which ended June 30, 1914, the Meridian and Memphis Railroad Company had 2 locomotives in service, 2 passenger cars, and 101 freight cars.[9] Gross revenues for the year were listed at $43,150.93 with a net deficit of about $15,000. During the year the road carried 15,741 passengers and hauled 45,278 tons a total of 1,057,479 ton miles.

The year ending June 30, 1915, was much better, with a total of 70,780 tons hauled. The deficit for that year was down to a little less than $2,000, primarily because hauling of forest products had risen from approximately 14,000 tons in 1914 to 44,000 tons in 1915.

Improvement continued in 1916, and the road showed a net income of $8,000. This was possible because the road moved a total of 101,343 tons of freight, of which 69,537 tons were forest products.

On July 1, 1916, the Meridian and Memphis Collateral Trust was created, in which 4,000 participating shares were issued.[10] The Trust held all of the $500,000 capital stock and the $675,000 first mortgage bonds of the Meridian and Memphis Railway Company. These securities constituted the entire capital obligation of the Meridian and Memphis except for a first lien, 6 per cent gold note of $260,000 which was due July 1, 1919.

The GM&N bought the 4,000 shares of the Meridian and Memphis Collateral Trust in January, 1918, subject to the payment of the $260,000 in 6 per cent gold notes, which were paid off on July 1,

1919.[11] The GM&N assumed complete control of Meridian and Memphis operations and, for all practical purposes the line was a part of the GM&N. Not until 1929 was the GM&N given ICC permission to acquire the property of the Meridian and Memphis and thus liquidate the company.[12]

THE JACKSON AND EASTERN RAILWAY COMPANY—1916–29[13]

When Sam Neville decided that there was little likelihood that his Meridian and Memphis Railway would be built from Union to Winona, Mississippi, he turned his mind to other fields. Union, Mississippi, was the western terminal of the Meridian and Memphis, and west of Union the timber was still just as fine as it had ever been, for there was no way to get the logs out. Neville decided to start another line which should run west from Union, but this time the plan was to run the road west and slightly south to Jackson, Mississippi, instead of northwest to Winona.

On January 24, 1916, the Jackson and Eastern Railway was chartered under the general corporation laws of Mississippi. Construction started almost immediately, and by November, 1916, the road began operations over some of its track. By the end of 1916 the line was in service from Union to Sebastapol, a distance of about 13½ miles. In this instance, there were no prosperous towns ready to pay large bonuses for construction, but the inhabitants of the region were happy to see the railroad. The people of the village of Sebastapol contributed $1,000 to the project, and the lumber companies in the area also proved helpful. The Buckwalter Lumber Company agreed to use the line for its logging trains and contracted to pay rental of "$1.00 per day per mile for tracks used by the . . . Company. When flat or gondola cars are provided by the carrier for use by the Buckwalter Lumber Company, the stipulated rental is $1.50 per car from any point to any other point on the line of road of the carrier."

According to the ICC valuation study which was made as of June 30, 1917, the Jackson and Eastern Railway Company traversed creek bottom and timber flat lands, with a few sand clay regions. The road was 14 miles long, had 1 locomotive and 72 freight cars and was valued by the Interstate Commerce Commission at $140,000 for rate-making purposes.

The valuation study further stated that Neville had been issued

$99,700 in stock for his expenses in building the road and that the road had issued an outstanding $50,382 in short-term notes.

For the year 1918, the Jackson and Eastern Railway Company hauled 59,334 tons of freight, and of these about 55,000 tons were timber or lumber.[14] During this year the road showed a net income of $7,345. It employed thirty-eight people and paid out $30,364 in wages for the year.

For the next three years, 1919, 1920, and 1921, the road showed a great drop in tonnage and as a result showed a net deficit from its operations. Partly as a result of this decline in business, the road decided to go ahead with its original plan to build on to Jackson, Mississippi. On July 12, 1921 the Interstate Commerce Commission authorized the extension of the line to Jackson, which at this time was some 61 miles from the end of the road.[15] The Commission recognized that the line might not be a paying proposition permanently, but it gave its permission because there were tremendous stands of timber in the region and local interests were willing to pay for the road to get the timber out. The Commission also recognized that if the line was completed it would open a new outlet to the north for rail business south of Jackson, Mississippi. The decision noted that the growing capital city of Mississippi had no railroads leaving it to the north except the IC and its subsidiaries.

Because of the speculative nature of the proposed extension of the Jackson and Eastern Railway Company, Sam Neville promised to build the road and then to take 6 per cent bonds in payment for the construction, which was expected to cost about $15,000 per mile.[16]

Construction westward was started in 1922 but no new mileage was put into operation during the year.[17] Freight tonnage increased, and for the first time in several years the road reported a net profit which amounted to $5,672.

The road was opened in 1923 as far west as Walnut Grove, Mississippi, which was about 24 miles from Union. Construction was not being rushed, but there was not much reason to be hasty, when the primary purpose of the line was to haul timber which could not be cut until the road reached the area. Construction may also have been slowed down by the pressure of operations. Profits were so good in 1923 that an 8 per cent dividend was declared on the $100,000 common stock which was held by President Neville.[18] This was the first dividend the road had been able to pay in its history.

By the end of 1924 the road had begun to carry passengers as well as freight. Records of the line showed that 10,004 passengers were carried for an average distance of 15 miles at a charge of 4.14 cents per passenger mile. It is not at all likely that those passengers thought they were getting fancy service over this line with its mixed trains, but certainly they were paying fancy prices for the trips. The freight service of the road was just as expensive as the passenger service. During 1924 the line hauled over 99,000 tons of freight (82,000 tons of timber) for a total of 1,949,195 ton miles at an average charge of 7.64 cents per ton-mile. A great demand undoubtedly existed for Mississippi timber. Rates from the forests to the sawmills were high, but the traffic still moved. The average haul was fortunately only 20 miles. The rest of the journey to market was over the competitive lines of other railroads.

Although the charges seem very high, they were not excessive in comparison with charges for similar services by other timber railroads. It had always been true that whenever the volume of rail service is light the proportional charges must be high to sustain the service. In spite of these high charges in 1924, the road showed a net profit of only $1,700, and no dividends were paid on the stock.

The year 1925 proved to be another good one for Jackson and Eastern Railway Company. The road had been extended to Lena, Mississippi, which was a little over 33 miles from Union. Tonnage increased from 99,000 to 114,000 tons, and as a result of that and other factors a net profit of $15,142 was reported. Again a dividend of 8 per cent was paid on the $100,000 of common stock.[19]

In July, 1926, the GM&N bought, subject to ICC approval, the entire capital stock of the Jackson and Eastern Railway Company. This was part of the GM&N program to gain entry into Jackson, Mississippi, and to offer service to New Orleans in conjunction with the New Orleans Great Northern. At the time of this transaction, the Jackson and Eastern Railway Company had $198,000 in 6 per cent bonds outstanding, in addition to the $100,000 of capital stock. Also, the Commission on March 20, 1926, had authorized the Jackson and Eastern Railway Company to issue $300,000 in 5 year 6 per cent bonds for expansion purposes. Apparently, Mr. Neville had decided that he should continue his operations all the way into Jackson since he had been showing good profits for the past 3-year average.

The Commission granted permission for the GM&N to hold the stock of the Jackson and Eastern, with the result that by the end of

1926 the GM&N was in complete control of the road and the task of extending and rebuilding the line was well under way. On July 1, 1926, the GM&N formally leased the Jackson and Eastern Railway Company. Payments were to equal the interest due on Jackson and Eastern's bonds and short-term loans. At that time, the Jackson and Eastern had $230,000 in bonds outstanding, and the GM&N owned all of these. The GM&N was, in effect, paying dividends to itself from this transaction. At the same time, it was paying interest to itself because the construction funds to build the new line were also being advanced by the GM&N.

When the extended line was placed in service in July, 1927, the Jackson and Eastern Railway Company was little more than a name. It was GM&N equipment, crews, and trains which operated over the road, but technically the Jackson and Eastern Railway Company was still in existence. In July, 1929, the GM&N was given permission by the Interstate Commerce Commission to acquire the property of the Jackson and Eastern Railway Company at the same time it acquired the property of the Birmingham and Northwestern Railway Company and the Meridian and Memphis Railway Company. When this transaction was completed in September, 1929, the Jackson and Eastern Railway Company officially became a part of the GM&N and lost its corporate existence in the drive to simplify control and to reduce operating expenses.[20]

CHAPTER · XXI

The New Orleans Great Northern Railroad Company—1905-33

THE New Orleans Great Northern, like the Meridian and Memphis, the Jackson and Eastern, most of the Gulf, Mobile and Northern, and countless other segments of railroads in Mississippi, was built for the primary purpose of serving as a lumber hauling road. There was one great difference, however, between the New Orleans Great Northern and most of these other "logging" roads. The "Nogan" as it was popularly called, was planned, engineered, and built to be a permanent railroad, and its backers seldom had great difficulty in raising funds for construction. The primary reason for this difference was the background of the group which planned and built the New Orleans Great Northern. Most of the other roads which were built in Mississippi in the timber regions were promoted and at least partially developed by Southerners of very limited means. These men often hired engineers from other sections, and they eagerly sought financial support from Eastern and Northern capitalists, but control generally rested with local groups during the early years of these roads.

In contrast, the New Orleans Great Northern was developed by a group of wealthy Yankee lumbermen who began their operations in the Mississippi timber regions after 1900. This group, led by F. H. and C. W. Goodyear, of Buffalo, New York, purchased a tremendous amount of standing timber in the southwestern part of Mississippi and adjacent areas of Louisiana. Their plan was to erect a large-scale sawmill somewhere in the vicinity of their holdings and to process their timber at this central point. Since there was no railroad

through much of their holdings, the group, of necessity, had to build a line to haul their timber to the mill and the lumber to market.

After extensive study, the group decided to build the Great Southern Lumber Company at the site of what is now the city of Bogalusa, Louisiana. The town was built alongside Bogue Lusa Creek and thus received its unusual name. There was no town, lumber mill, or railroad when the project started, so all three essentials to this operation were begun at about the same time. The plan called for a town to house 8,000 people, a mill to manufacture a million feet of lumber each day, and a railroad some 200 or more miles long to run between New Orleans and Jackson, Mississippi by way of Bogalusa.[1]

Construction of the New Orleans Great Northern was delegated to the Crescent City Construction Company, which was owned by the owners of the Great Southern Lumber Company. Although the road's primary purpose was to haul timber for the lumber company, it was designed from the first as a common carrier and as a permanent line. Standards much higher than those for log lines were set and in general were lived up to. Proof of this is to be found in the statement made by Coverdale and Colpitts in 1938 that the Louisiana Division (New Orleans Great Northern) was the best roadbed in the entire GM&N–Mobile and Ohio territory.

The New Orleans Great Northern Railroad Company was incorporated under Louisiana law on January 27, 1905.[2] A sister concern, the New Orleans Great Northern Railroad Company of Mississippi, was incorporated on May 9, 1905, and the two companies were merged into one under the Louisiana charter on August 6, 1906.[3]

On June 1, 1905, the New Orleans Great Northern bought the East Louisiana Railroad, which had been incorporated on July 8, 1887 to buy, build, or operate a railroad in certain sections of Louisiana and Mississippi.[4] This line had been started by a group of local businessmen whose principal purpose was to open up the timber reserves in the area north of Lake Pontchartrain. The principal properties of the East Louisiana were acquired from the Poitevant and Favre Lumber Company of Mandeville, Louisiana, which had built a log road from Florenville, Louisiana, to a point on West Pearl River near the present town of Pearl River, Louisiana.

In 1903 the East Louisiana Railroad operated 24 miles of main line between Covington, Abita Springs, and West Pearl River, at which point timber was dumped into the river to be floated downstream to mills at Pearlington, Mississippi. The road also operated

into New Orleans over the tracks of the New Orleans and Northeastern under lease agreements. In addition there was a 12 mile branch which ran from Mandeville Junction on the main line down to the town of Mandeville on Lake Pontchartrain. At one time the East Louisiana had operated a ferry service from Mandeville across to New Orleans, but this operation was given up in 1896. The East Louisiana also operated about 12 miles of sawmill spur lines. According to the report of the East Louisiana to the Interstate Commerce Commission in 1903, the road had 4 locomotives, 12 passenger cars, 28 freight cars, and 4 service cars. The line hauled 693,639 ton miles of freight an average of 11 miles at an average price of 5.99 cents per ton mile. Forest products amounted to 65 per cent of the total tonnage moved.[5]

During the years from 1903 to 1905 the East Louisiana built a 13-mile addition to its lines which ran from Covington to Folsom, Louisiana. Thus, on June 1, 1905, when the New Orleans Great Northern bought the East Louisiana, it had about 50 miles of main lines with a dozen miles of spur tracks to sawmill sites. The East Louisiana had no bonds outstanding, and its capital stock in 1903 totaled $340,300. The road had been given about $10,000 in bonus payments by various lumber concerns to help pay for construction. The town of Franklinton, Louisiana, had raised a contribution of a little over $400 from its citizens, even through the road never was built that far north. The citizens of Covington and Mandeville had imposed a special 10-year tax on their communities which eventually paid the road a total of about $9,100 as an aid in meeting the costs of construction.[6]

The New Orleans Great Northern bought the East Louisiana by exchanging its stock and bonds for the smaller road.[7] The East Louisiana was purchased because of its valuable lumber connections and because its charter rights enabled it to build into areas which the New Orleans Great Northern hoped to serve. By the purchase, the New Orleans Great Northern secured valuable tonnage and also forestalled possible future conflict as to which road should serve the territory in question.

The New Orleans Great Northern engineers did not take long to decide that they had no interest in bridging Lake Pontchartrain and constructing another entry into New Orleans. Accordingly, new arrangements similar to the East Louisiana plan were developed, by which the New Orleans North Eastern line from Slidell, Louisiana,

to New Orleans would be used by the New Orleans Great Northern. Thus construction began at Slidell and proceeded northward toward Bogalusa where the Great Southern Lumber Company mill was under construction. At the same time another line was started, which was to run from Tylertown, Mississippi, through Franklinton, Louisiana, and then was to curve to the southeast almost paralleling the Bogue Chitto River. This is the branch line which now joins the main line of the GM&O at Rio, Louisiana.

The 36 miles of line from Slidell to Bogalusa were completed in 1906, and service was begun to that point as soon as possible. The report of the New Orleans Great Northern to the Interstate Commerce Commission as of June 30, 1907, showed this 36 miles in operation as the only addition to the lines bought from the East Louisiana. The report did state, however, that some 36 miles of line had been built from Bogalusa to near Columbia, Mississippi, that 32 miles of the line out from Rio had been built, and that 15 miles of a new line from Slidell to Mandeville and up toward Covington was under construction.

The New Orleans Great Northern experienced many of the same construction problems which have continually plagued most railroad builders. It was not possible to keep to construction schedules which had been optimistically projected when the task was begun. Not until June 30, 1910, was the New Orleans Great Northern able to report to the Commission that its other mileage was put into service. In the year from July 1, 1909, to June 30, 1910, the road inaugurated service on 185 miles of new line. This included the 114 miles from Bogalusa to Jackson (actually Nogan), Mississippi, 41 miles from Rio, Louisiana, to Tylertown, Mississippi, 27 miles from North Slidell, Louisiana, to Abita Springs, Louisiana, and 2½ miles from West Columbia to Columbia, Mississippi. From Nogan, Mississippi to Jackson, a distance of 4½ miles, the line of the Illinois Central was to be used under a trackage agreement. Terminal facilities of the IC in Jackson were to be used under lease also.

The beginning of through service from Bogalusa to Jackson brought drastic changes in rates charged by the New Orleans Great Northern, as well as great increases in tonnage hauled. In 1909 the New Orleans Great Northern moved 13,245,548 ton miles of freight an average of 41 miles at an average charge of 2.86 cents per ton mile.[8] In 1910, the road moved 59,932,045 ton-miles an average of 77 miles and collected 1.78 cents per ton mile. In 1909 the average train

contained 20 cars, 14 of which were loaded with a total of 216 tons per train or about 16 tons per car. These averages increased in 1910 to 23 cars per freight train with a total of 262 tons per train or about 19 tons per car.

When construction work on the New Orleans Great Northern ceased, the road showed 243 miles of owned main track which had been built and equipped at an average charge of $64,424 per mile.[9] Of this, $30,352 was in common stock, $32,072 was in 5 per cent bonds, and the remainder was in equipment obligations and short-term notes. The company had outstanding $7,500,000 in stock, of which Crescent City Construction Company owned $6,870,000. The line had 181 miles of 85-pound rail, 41 miles of 70-pound rail, and 21 miles of 60-pound rail. The road operated some 35 miles of main track under lease agreements. This was the mileage from Slidell to New Orleans and from Nogan to Jackson, Mississippi.

In the years immediately following completion of construction, the New Orleans Great Northern found that much still needed to be done to make its line really fit for efficient operation. Trouble developed with some poorly built bridges, and parts of the track work had to be done over. Creosoted timbers were found to be greatly superior to untreated pine and eventually had to be substituted in much of the line. In the main, however, the construction work on the New Orleans Great Northern was far superior to that on many lines built in Mississippi at or near the same time. Evidence of this is to be found in the annual report to the stockholders for the year ending June 30, 1912. The report stated that traffic had been greatly affected by the tremendous amount of rainfall which Mississippi had experienced in the months from June 30. The territory served by the New Orleans Great Northern had received 89 inches of rain in seven months. This was about 13 inches per month in territory which normally receives about 5 inches per month. The annual report stated: "This condition affected seriously the freight and passenger traffic. The country roads were impassable at times and the logging and lumber industry was almost totally suspended for several periods of considerable duration." The report did not set out any specific damage that these rains had done to the tracks or roadbed of the company, which indicates that the line suffered no major destruction. In a similar period, the GM&N line was practically destroyed in places and was out of service in several instances.[10]

During the years following the completion of the road, the man-

agement of the company showed much interest in the development of the cut-over lands of the region. The road reported great improvements in farming and vegetable production in its territory. Dairying was pushed as a means of turning the bare lands back to productive use. In conjunction with the Great Southern Lumber Company the New Orleans Great Northern announced that new uses had been found for sawmill refuse in the making of paper box board.

One of the problems which plagued the New Orleans Great Northern management during the years prior to World War I was a perennial car shortage on the line. Most of its business was originated on its lines by the lumber mills of the area. As comparatively little tonnage was shipped into the area, however, few freight cars tended to "come home" naturally. The New Orleans Great Northern was in a constant struggle to get the IC and other connecting lines to send empty cars back to the territory so they could be refilled and once more make the trip north or east to market. This condition became such a problem during the early years of World War I that the New Orleans Great Northern almost seemed glad to see the Director General of Railroads take control of the New Orleans Great Northern. A federal manager presumably could make other roads release freight cars to the smaller line.

During the war years the New Orleans Great Northern was operated by the same federal manager who controlled the IC system. Under these circumstances, it was fortunate for the New Orleans Great Northern that its lumber was in such great demand, or its business might have been neglected in much the same manner as was that of the GM&N.[11]

After the close of World War I, the New Orleans Great Northern suffered a slump in passenger traffic much as its sister roads experienced. Fortunately its freight business increased when the postwar depression was over, and its business continued "good" for a number of years due in large measure to the building boom which the country experienced in the decade of the 1920's.

The New Orleans Great Northern began to purchase heavier locomotives and to operate heavier trains in the postwar years in much the same pattern as the GM&N. Two of the Mikado type decapods were bought from the federal government, which helped to increase operating efficiency on the line. Net tons per freight train went up steadily: 336 in 1920, 429 in 1921, 530 in 1922, 587 in 1923.[12] At this point the net ton figure tended to level off, but the change from 336

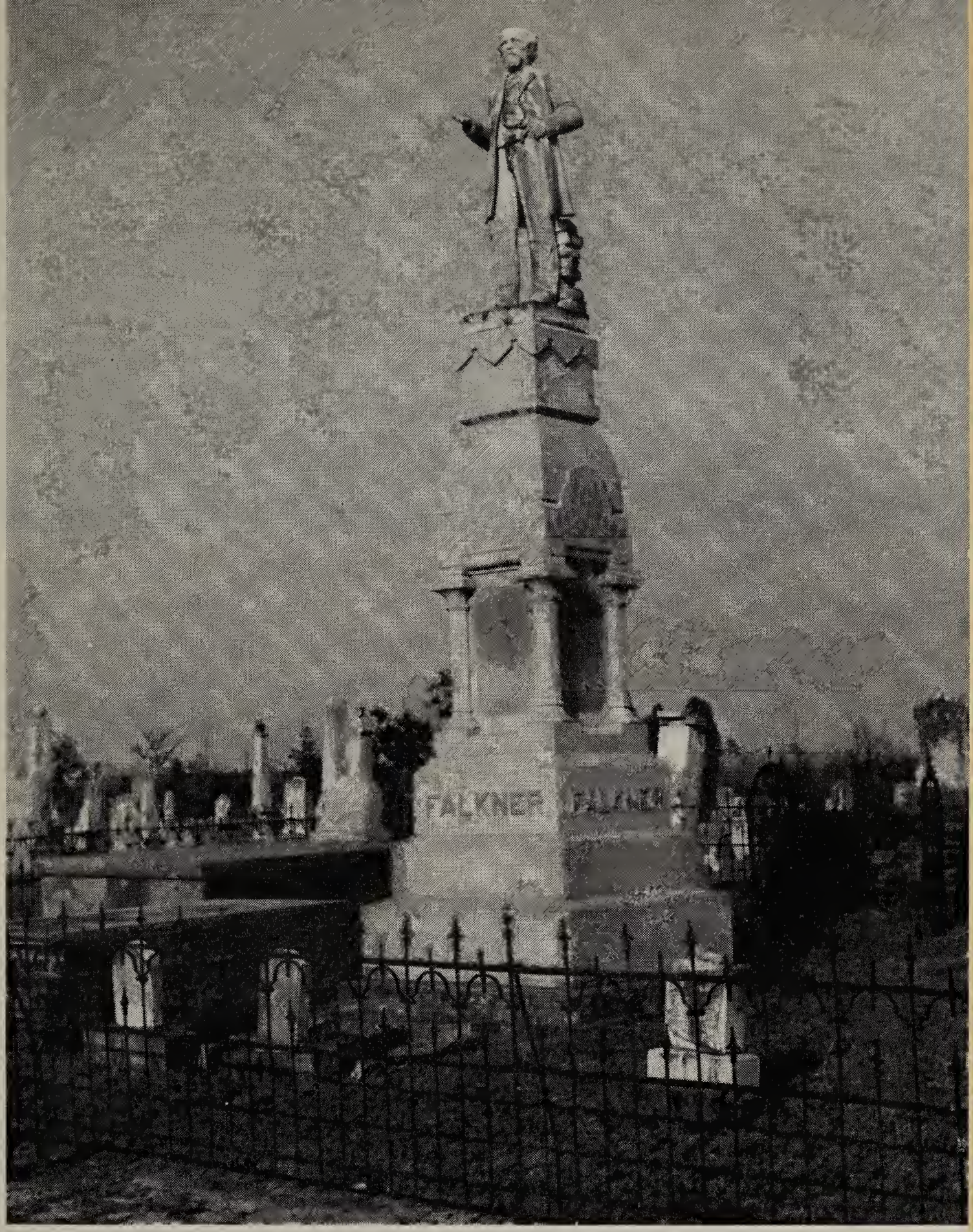
tons in 1920 to 587 by 1924 was nothing short of phenomenal. The increase was much more rapid than the similar movement upward on the Gulf, Mobile and Northern although the upward climb on the Gulf, Mobile and Northern was of longer duration.

The New Orleans Great Northern began early use of gasoline powered cars to replace steam passenger trains along its lines in the first years of the 1920's. The annual report for the year ending December 31, 1924, stated that motor coach No. 2 had been placed in service between Bogalusa and Tylertown and that the road expected to save about $13,000 per year over steam train service. The following year a similar motor train was put in service between Bogalusa and Jackson.

1926 was the year in which the New Orleans Great Northern reached its preferential traffic agreement with the GM&N and the Chicago, Burlington and Quincy. Immediately after this agreement was made, the New Orleans Great Northern began to build its own line from Nogan into Jackson, Mississippi, and to rework all of its main line south to Slidell in anticipation of the increased flow of traffic. The company, in conjunction with the GM&N and the Burlington, opened outside traffic offices to solicit business over the new route which was opened for service on July 17, 1927.[13] The New Orleans Great Northern was no longer at the mercy of the IC on its northbound freight. Its founders, too, had dreamed of a new north-south line from Chicago to the Gulf, and this arrangement finally made it possible.

The through-haul business which the Burlington–GM&N agreement gave the New Orleans Great Northern was of great benefit to the road. Timber and lumber tonnage was to decline after 1926, and the road sorely needed other traffic to help keep revenues up to a satisfactory level. In 1927 the New Orleans Great Northern managed to show an increase in total tonnage, but its net income declined due to the loss in timber traffic. The road's net income in 1927 was $34,000 less than in 1926. Certainly the decline would have been much greater if the GM&N–Burlington–New Orleans Great Northern agreement had not been in effect for part of the year.

Unfortunately for the New Orleans Great Northern, its income for 1926 was higher than the road was ever to experience again. Net income in 1928 was $129,000, and in 1929 the company showed a deficit of $83,000. The territory which was served by the New Orleans Great Northern could not provide tonnage to replace the decline in



Above: Colonel Falkner's monument stands near rails of the Ripley Railroad which he founded in 1871. *Below:* Construction crew on the narrow-gauged G&C Railroad in 1898.





Above: Reforestation was started by the NOGN as early as 1922, the first large-scale planting in the United States. Photo shows crew of men and boys planting pine trees. *Below:* New passenger train introduced to the NOGN territory following the merger of that line with the GM&N.



timber production, and through-haul business in itself was not yet sufficient to maintain the road. When the national building boom began to abate after 1926, this region and the New Orleans Great Northern were very severely hit.

In spite of the decline in the fortunes of the New Orleans Great Northern, its line to New Orleans was vital to the future of the GM&N–Burlington traffic agreement. To protect this interest, the GM&N in 1929 proposed to assume operating control of the New Orleans Great Northern through a stock exchange agreement.[14] The plan called for joint operation, with the officers of the GM&N in charge of both lines. The New Orleans Great Northern, however, was to remain as a separate corporation. New Orleans Great Northern stock was to be exchanged for GM&N stock on a ratio of 1 share of GM&N for each 2¾ shares of New Orleans Great Northern stock turned in. This proposal was submitted to the stockholders of the New Orleans Great Northern in October, 1929, and became effective on December 30, 1929, because a large majority of the stockholders agreed to the exchange. By February 15, 1930, 91 per cent of all New Orleans Great Northern stock had been exchanged under the plan.

As a result of this transaction, Mr. Tigrett became executive vice-president of the New Orleans Great Northern, and the offices were consolidated in Mobile during the year 1930. This move was too late to effect major economies during the year, however, and the New Orleans Great Northern ended 1930 with a deficit of $185,000 in spite of the fact that no salaries were paid to the new top officials.

1931 brought some relief to the hard-pressed New Orleans Great Northern, but the company still had a deficit of $23,000. Unfortunately this "good" showing could not be continued in 1932 and the net deficit for this worst depression year was $373,000. In the early months of 1932 it was apparent to all concerned that the New Orleans Great Northern could not continue to carry its heavy bonded debt on its expected revenues. At a meeting of the Directors of the GM&N in January, Mr. Tigrett had announced that a scaling down of the bonded indebtedness of the New Orleans Great Northern would be necessary if conditions did not improve.[15]

There definitely was no improvement of conditions, and on August 1, 1932, the New Orleans Great Northern defaulted on its bond interest payments. A receivership was established by the courts on November 7, 1932, and Mr. Tigrett was named receiver. Since all

parties at interest realized this step was inevitable, there was no opposition to the receivership, and no major difficulties were encountered during the reorganization which followed.

The plan of reorganization was developed before the default on the bonds took place. A bondholders' committee had been set up in the spring of 1932, and this group announced its plan of reorganization on July 1, a full month before the default. The plan was amended in March, 1933, and this was the actual basis for the reorganization.[16] Under the amendments, holders of each $1,000 bond in the old company were to receive a $500 bond from the new company, plus a $500 income debenture and a share of stock. The fixed obligations were cut in half, and all old stock was wiped out. Control of the new company would rest with the bondholders, since the only stock to be issued was the 824,800 shares to go with each new $500 bond. Under this plan the GM&N lost its stock equity, which it had purchased in 1929–30 at a book value of $2,588,890.

The plan of reorganization set up a new company, the New Orleans Great Northern Railway Company. The new company was to issue $843,000 of its bonds to the Gulf, Mobile and Northern Railroad Company of Louisiana in payment of the purchase price of that company's property. The property consisted of the Canal Yards and connecting facilities in the New Orleans area which has been built in 1930–31 for the use of the New Orleans Great Northern.[17]

The New Orleans Great Northern Railway Company was to be leased for 99 years to the GM&N, effective the day the new company assumed control of the property. This allowed continuous operation of the joint properties, for the foreclosure sale was held June 29, 1933, and the lease became effective July 1, although it was not until August 1 that all legal hurdles had been cleared away and the Interstate Commerce Commission gave its approval to the entire transition. Under the terms of the lease, the GM&N was to pay interest at 5 per cent on the new first mortgage bonds of the Railway Company and also was to pay contingent interest of 5 per cent on the debentures if and when the GM&N paid dividends on its own capital stock. In addition, the GM&N was to pay all current charges and expenses against the leased properties as well as current expenses of the Railway Company, and it was to maintain roads, tracks, buildings, and fixtures at an adequate standard. With the execution of this lease, the New Orleans Great Northern properties

became in effect an integral part of the GM&N, and its history ceased to be of general interest. Only its corporate entity was kept alive as custodian of legal title to the property. Since July 1, 1933, all operating and control functions of the Louisiana Division have been exercised by the GM&N and the Gulf, Mobile and Ohio.

CHAPTER · XXII

The Gulf, Mobile and Northern and Its Predecessors—1871-1920

In 1930, Tom Martin, then editor of the Gulf, Mobile and Northern *News*, described the growth of the line he worked for in these words: "The story of the Gulf, Mobile and Northern Railroad is the story of the post-war South—of small and difficult beginnings undertaken by men of courage and of vision, of many vicissitudes; but of progress in the face of apparently insuperable difficulties."[1] In 1930 it could be said that the GM&N truly had made progress. In 1920 such a statement might have been open to question. No one, however, could ever question that part of Martin's statement about small and difficult beginnings, for no railroad could have had a much more difficult start than the pieces of lines which by 1920 had been merged into the GM&N.

FALKNER'S RIPLEY RAILROAD[2]

The first successful start on one of the sectors of the GM&N of 1920 was made in the hilly farm region of north central Mississippi in 1871. Colonel William C. Falkner, late of the Confederate Army, had returned to his prewar home of Ripley, Mississippi, with a reputation for military daring and fast action but little else. Like his neighbors, Falkner had lost heavily in the collapse of the South, and since he was a lawyer by profession, he had little hope of recouping his fortunes by trying cases for destitute friends. When he was not occupied with his legal duties, Falkner turned to writing, with some success and profit. One novel, *The White Rose of Memphis*, brought sectional fame to the Colonel and provided him with a de-

sirable source of income. However, he never acquired the literary skill or the fame which has recently come to his Nobel Prize-winning grandson and namesake, William Faulkner,[3] of Oxford, Mississippi. At some point in the year 1868, Falkner apparently decided that there would be more profit to himself and to his neighbors in more prosaic pursuits, so he determined to try his hand at promoting and building a railroad for his home town.

All goods destined for Ripley had to be transported overland by wagon from Saulsbury, Tennessee, a station on the Memphis and Charleston Railroad. All outbound freight had to be transported in the same cumbersome manner, since there were no navigable rivers in this hill region. Since Saulsbury was some 30 air-line miles away it was easy to see that a railroad to Ripley would improve trade conditions in the town. At least some of Falkner's incentive came from the fact that the state of Mississippi had a law in effect at this time which promised to pay a subsidy of $4,000 per mile for all standard-gauge railroads built in the state.

The project was no more than an idea for about two years, but Falkner proceeded to clear away legal and financial obstacles as rapidly as he could. Since there did not seem to be sufficient demand for a standard-gauge railroad which would run from Ripley to the Memphis and Charleston, the Colonel decided to try to build a narrow-gauge line but, under the existing statute, the state could not subsidize a narrow-gauge road. At this point the legal training of Falkner came to the fore, and he managed to persuade the Mississippi legislature to change the law so that narrow-gauge lines could receive state aid.

With this encouragement, a charter was secured from the Mississippi legislature by special act on May 12, 1871, to form the Ripley Railroad Company, with Falkner as its president.[4] Preliminary maneuvers had taken valuable time, and at this point time was very important. The subsidy law had been changed to assist Falkner's project, but it still was to expire on August 31, 1872, and there was little likelihood of having the proposition extended.[5] Construction was pushed as rapidly as funds would permit but apparently the $4,000-per-mile subsidy was not enough to complete the road. The Memphis and Charleston was appealed to, and the older road agreed to advance rails and rolling stock to help get the branch in operation. With this final grant of assistance it was possible to complete the 24 miles of road from Ripley to Middleton, Tennessee, and open it for

service on August 30, just one day before the subsidy law expired. According to one story, the commission which had to pass upon the road's completion made the journey on the first train over the line and thus was in a position to see to it that Colonel Falkner received his state aid payments.

Before this 24-mile strip of line was finished, changes were going on in Colonel Falkner's plans. On March 16, 1872, the name of the Ripley Railroad Company was changed to the Ship Island, Ripley and Kentucky Railroad Company.[6] Apparently, at this early date the dream had grown larger and the Colonel and his partners were interested in tying their line into a much bigger scheme. In the years before the Civil War the Congress had voted federal lands to a company known as the Gulf and Ship Island Railroad. The road was planned to run from Ship Island, Mississippi, or actually the mainland opposite the island, to or near Jackson, Tennessee, through the east central section of Mississippi. Although the road was not built at that time and its charter lapsed, much interest was shown in 1872 in efforts to revive the old company and to complete the project. This was the movement with which Falkner was attempting to ally his line when he changed its name to the Ship Island, Ripley and Kentucky.

Although the G&SI project was not reactivated immediately, Falkner continued to work for the success of the larger scheme after his own small line from Ripley to Middleton was completed. Falkner was not alone in this, for the G&SI scheme attracted many prominent Mississippians, including a large group of politically powerful men. As a result of their activity, the G&SI was finally rechartered in 1882, and on March 13, 1884, this "new" company was subrogated to all of the rights and privileges previously granted by the state of Mississippi to the original company.[7] This presumably included the grants of federal land which had been made prior to the war.

Because of this inclusion, the G&SI project of 1882 became a very explosive issue.[8] In the years since the failure of the original company, most of the land formerly granted to the railroad had been pre-empted or homesteaded in keeping with the later federal laws on public land use. If the G&SI should now prove to have legal title to this land, the company would fall heir to much improvement in these holdings and would also dispossess hundreds, if not thousands, of small landowners. Apparently, however, some, if not all, of the backers of the new Gulf and Ship Island were aware of this situation and hoped to profit handsomely from the transaction.

Fortunately for the small landowners, at least one Mississippi political figure was not committed to the G&SI project. Senator E. C. Walthall arranged to protect the interests of those who had pre-empted the land in good faith and who had complied with the provisions of the homestead laws.[9] A bill before the Congress in 1886 proposed to forfeit all railroad land grants except that land granted to the G&SI in the state of Mississippi, which was to be taken up by the road on completion of the project. Walthall amended the bill to confirm the title of all settlers on the original G&SI lands who had complied with the pre-emption and homestead laws. The action prevented the wholesale dispossession of these small landowners, although it did not deny the unclaimed land to the G&SI.

The plans of some of the backers of the G&SI may have been temporarily halted, but the project was not dropped. Other ways were found to gain public assistance in the scheme. In the years after the war the state of Mississippi leased its convicts as work gangs for agricultural and construction purposes. With the political power which was behind the G&SI it was comparatively easy to see to it that convict labor was available for constructing the railroad.[10] For use of this labor the company was to pay the state $50 per man per year, and the road agreed to feed, house, and clothe the convicts. The company was obligated to return the men dead or alive, which necessitated the hiring of guards by the railroad. In many instances it was easier to take back a dead convict than it was to explain how one was allowed to escape. This fact, coupled with the necessity of forcing the men to work, created conditions of appalling brutality wherever these convict camps were set up.

When work was begun on the line of the G&SI, it was decided to start at the two ends and work toward a junction point near the middle of the state. This plan caused the construction of about 38 miles of additional narrow-gauge line from Ripley down to Pontotoc, Mississippi, during the years 1886–87. Some mileage also was completed near the Gulf coast, but the two units were still separated by many miles of undeveloped right of way. The northern part of the road owned by the G&SI was operated in conjunction with Colonel Falkner's line. This gave a 62-mile road from Pontotoc to Middleton, Tennessee, which connected with the Memphis and Charleston at Middleton and crossed the line of the new Kansas City, Memphis and Birmingham Railroad (now the St. Louis–San Francisco) at New Albany, Mississippi.

Since the G&SI was so completely dominated by men prominent

in political life, the road could be expected to have a checkered career. No one was able to foretell its end because of the very unusual circumstances surrounding the second collapse of the road which took place in 1889. Wirt Adams, postmaster at Jackson and one of the most ardent backers of the G&SI, was killed in a duel on the streets of Jackson on May 1, 1888, as a result of a political argument.[11] This scandal, coupled with other troubles the road had been having, was too much, and the company went into the hands of receivers soon after. At a foreclosure sale on August 1, 1889, Colonel Falkner bought the 38 miles of line from Pontotoc to Ripley to add to his older company.[12]

Falkner's company, the Ship Island, Ripley and Kentucky, had also been in difficulties, and it, too, had been sold by the courts. Falkner purchased this line also, at foreclosure sale on July 23, 1889.[13]

With both properties now under his own personal control, Falkner was ready to reorganize his holdings and to set up one consolidated company to operate the entire 62 miles of line. Fate, in the guise of another pistol bullet, intervened, however, and it was left to the Colonel's son, J. W. T. Falkner, to complete the consolidation.

Back in 1878 the Ship Island, Ripley and Kentucky had become so financially involved that a New York trustee was appointed to handle the property for the benefit of the stockholders. In a few months a new trustee, R. J. Thurmond of Ripley, was appointed, and he remained in that position until 1887, when he was succeeded by C. L. Harris. Apparently Thurmond had been trying to outmaneuver Falkner and acquire the road for his own interest. When Falkner prevented this by borrowing funds from a Memphis commission house, Thurmond swore to "get even" with Falkner. In the summer of 1889 Falkner ran for the legislature of Mississippi with the intention of introducing legislation to rejuvenate the Gulf and Ship Island project and at the same time to assist his Ripley Road. Thurmond ran against Falkner in a bitter, vindictive campaign. Falkner won. On election day, November 6, 1889, soon after the returns were in, Thurmond shot and killed Falkner as he walked along one of the streets of Ripley.[14]

The Colonel's death definitely finished the Gulf and Ship Island. That line never regained its strength to continue its north-bound development. Later it was reorganized and built into Hattiesburg, Mis-

sissippi, then on toward the northwest. Its line stopped at Jackson, Mississippi, and in the decade after World War I the Illinois Central acquired control of the company.

The Falkner properties were finally combined into the Gulf and Chicago Railroad Company on February 20, 1890.[15] This company operated the narrow-gauge line with little change until July 1, 1903, when the Mobile, Jackson and Kansas City Railroad Company purchased control from the Falkner family.[16]

Falkner's 62-mile stretch of line had been built at a time when the financial affairs of Mississippi and the South were at their lowest point. Neither the dispossession of homesteaders nor the use of convict labor on the basis that existed in those dark days can be condoned, but it is easy to see how some men could turn even to those means in an attempt to help regain a measure of financial stability. Other men saw the evils in the convict leasing system, and the plan was outlawed by Mississippi's Constitutional Convention of 1890. J. H. Jones, who was a member of the Mississippi legislature from 1886 to 1890 and lieutenant governor from 1896 to 1900, was one of the major enemies of this system. Figure 22 presents some of Jones's comments on the leasing system.

Falkner's line was not well located from the standpoint of railroad operation. The right of way had been chosen in an attempt to keep as many farmer shippers happy as possible and in an effort to keep expenses at a minimum. The Colonel once boasted that it was the cheapest railroad ever built, and later users have been inclined to agree with him. Instead of running as straight as possible, the road tried to stay on top of the ridges of the region in an effort to avoid the problems and expenses of bridging streams or bottom lands. In the light of later experience, it appears remarkable that this line was built at all, and there is little doubt that the prime factor was the driving ambition of William C. Falkner, lawyer, politician, novelist, and railroad builder, an entrepreneur who refused to accept defeat and who kept pushing his plans forward to the very end.

FORMATION OF THE MOBILE, JACKSON AND KANSAS CITY

At approximately the same time that Falkner began to interest his neighbors in railroad construction, a similar program was being undertaken at Mobile, Alabama. By this date, Mobile had rail service in several directions, but there was no direct line into the vast pine forests of Mississippi which lay generally northwest of Mobile. Many

people were predicting that fortunes would be made from this timber when it could be gotten to the lumber markets in the North and East.

If this timber should be moved to Eastern markets through the port of Mobile, an extensive and profitable trade could be developed. For these reasons Mobile businessmen supported the development,

EXCERPTS FROM J. H. JONES'S PENITENTIARY REFORM IN MISSISSIPPI (For full reference, see footnote 10, this chapter.)

. . . it is humiliating to record that the cruel abuses practised under this system culminated between 1882 and 1887, when the death rate rose to more than 15 per cent among the convicts employed outside the walls, on plantations and other works.

[In 1886 all of the convicts of the state were leased to the Gulf and Ship Island which had held them previously under an assigned lease.]

This lease was made partly because it was thought the convicts would be better treated, partly to encourage an enterprise which had taken strong hold upon the people of the state and which, it was urged, would give to Mississippi a seaport of her own, and partly for profit.

This leasing system was common to all the Southern States except Kentucky and probably Virginia. It is difficult to understand how a system so barbarous could have been tolerated in any Christian community. It was evidently the product of human rapacity grafted upon the conditions that a defunct slavery had left behind it. It could only have flourished in an ex-slave state where ex-slaves made up the great majority of its convicts. Let us rejoice that it is no more.

FIGURE 22

and a company known as the Mobile and Northwestern Railroad Company was chartered under the laws of Alabama on February 20, 1870, and in Mississippi on July 20, 1870.[17] The proposed road was to run from Mobile to Hattiesburg, Mississippi, thence to Jackson, and on northwestward to a point on the Mississippi River opposite Helena, Arkansas.

Surveys for this entire line were run, and construction was begun at both ends of the project. More work was done at the Helena end

of the line then in the Mobile area but no commercial service was ever offered by the Mobile and Northwestern. The dream remained, but the drive to accomplish was lacking, so the project lay dormant for almost 16 years. The 24 miles of graded roadbed from Mobile to Wilmer, Alabama was allowed to go unused, of course suffering deterioration, but was not entirely lost.[18] By 1887 the demand for Southern pine timber was so strong that the project was revived under control of a new company called the Mobile, Hattiesburg and Jackson Railroad Company.[19] This line was also chartered by both Alabama and Mississippi as separate companies which were later consolidated into one company known as the Mobile, Jackson and Kansas City Railroad Company. This merged company which came into existence on February 20, 1890, was unable to renew the work for a number of years, but it did run additional surveys. By December, 1896, the company was finally able to get construction started on the first 50-mile sector of the line.[20] The driving force behind this new start to build the railroad was Frank B. Merrill of Mobile, who, like Falkner of Ripley, also carried the title of colonel.

Colonel Merrill's company used about 17 miles of the former roadbed, but a new entry into Mobile was selected. Land was bought at Choctaw Point, about 2 miles from the older harbor area of Mobile, to be developed as a port facility for the new road. After much delay in construction, the line was opened in 1898 from Mobile to Merrill, Mississippi, a town in name only, some 50 miles from Mobile on the banks of the Pascagoula River.[21] The road operated this 50 miles of line for about four years before more construction was undertaken.

Construction and operation of 50 miles of railroad does not seem to be a great accomplishment today. Before the turn of the century, however, this was a larger undertaking, particularly when one considers the condition of the territory to be served. President Merrill had the following to say in the company's annual report for 1900: "When it is borne in mind that the road has only been in operation two years, and when opened for traffic there was not a village or hamlet on the line, I think you are to be congratulated upon our steady and substantial growth."[22]

By June 1, 1902, the road had built 19 more miles of line to Beaumont and was rapidly building on toward Hattiesburg. This 26-mile segment of the road was opened for service on November 17, 1902, which gave the road a 96-mile main line from Mobile to Hattiesburg in the heart of the pine region of Mississippi.[23]

A most significant change took place in the policy of the road sometime in the year of 1902. Instead of building on from Hattiesburg to Jackson, Mississippi, and then further to the northwest, the road decided to turn its line northward from Beaumont. The management of the company decided that too many roads had already been constructed in the area northwest of Hattiesburg. There still remained, however, much unopened timber land between Beaumont and Laurel and further north. Hence, the line was to change its course and aim for Chicago instead of Kansas City. Perhaps one reason for this change in plans was the fact that the road got a new top executive in the person of W. D. Stratton, a New York financier. Stratton, who had been on the board previously, became chairman of the board of directors and president in 1903.[24]

When the Mobile, Jackson and Kansas City decided to build its lines northward from Beaumont, casual surveys indicated that this new project would logically be expected to traverse the same territory which was occupied by Falkner's Gulf and Chicago from Pontotoc to Middleton. Another company, the Kingston and Central Mississippi Railway Company was operating about 24 miles of line which ran from Kingston, just north of Laurel, to Bay Springs, Mississippi. Rather than parallel these lines, the Mobile, Jackson and Kansas City decided to buy the property of these companies and incorporate their mileage into the larger road.

In keeping with the expanded plans of the company, construction was pushed northward, and the 42-mile stretch from Beaumont to Laurel was opened for use on December 20, 1903.[25] Also, on June 26, 1904, the 51-mile segment from Laurel to Newton was placed in service.[26] In this sector the 24 miles of the Kingston and Central Mississippi had been reconstructed and standardized; the remaining mileage was new construction.

While this work was being done in the southern segment of the line, the Gulf and Chicago also was busy. This company had been bought from the Falkner family, and a new corporation, Gulf and Chicago Railway Company, had been established.[27] The new company immediately began plans to change the Gulf and Chicago from its narrow gauge to standard gauge and also to build southward toward the Mobile, Jackson and Kansas City.

On June 20, 1904, the 18-mile sector between New Albany and Pontotoc was reopened with standard gauge.[28] Construction below Pontotoc was in progress, with the work being split up into units of

varying length depending on local conditions. The annual report of the Mobile, Jackson and Kansas City for June 30, 1904, stated that 85 per cent of all grading between Pontotoc and Decatur was complete, and track laying was in progress in both directions out of Ackerman, Mississippi. This point was on the rail line from Durant to Aberdeen, Mississippi, and thus was being used as a central construction camp because rail and other supplies could be shipped in to this site.

The last 9 miles of construction on the southern part of the project was opened for commercial service on June 19, 1905.[29] This was the mileage between Newton and Decatur, Mississippi. The remaining portion of the narrow-gauge lines of the Gulf and Chicago was changed to standard gauge and reopened for service on June 27, 1905.[30] This was the northernmost segment between New Albany and Middleton.

The 136 miles of new construction which the Gulf and Chicago was supervising was tied together on September 5, 1905, in the middle of the bridge over the Pearl River, some 200 miles from Mobile.[31] Although it was connected on September 5, the entire line was not open for commercial transportation purposes until April 16, 1906, which may be considered the date the road was actually completed.[32] This is a broad statement, however, for relocations and realignments were being carried out intermittently from 1906 to 1925.

One of the most expensive of these relocation projects was carried out in 1910–11 in the town of Pontotoc, the southern terminal of Falkner's old line. The charter for the Gulf and Chicago Railway Company provided that the road should be run southward from the old narrow-gauge line through the center of the town. In an effort to reduce construction costs, the company later decided to build to the west of Pontotoc with a spur into the business section of the town. The citizens protested this action, however, and finally took the issue to the Mississippi courts and later to the Supreme Court of the United States. The Supreme Court in 1906 decided in favor of the people of Pontotoc and ordered the road to relocate its line.[33] Efforts to compromise the case failed, and eventually a new sector of line about 1½ miles long had to be built at a cost of $75,000. One interesting outcome of this case was the fact that R. V. Fletcher, attorney for Pontotoc, made quite a name for himself by winning the suit and as a result was appointed assistant attorney

general of the state of Mississippi.[34] This necessitated his moving to Jackson, where his rise was rapid. In 1907 he became attorney general and then was elected to the Mississippi supreme court in 1908. At this point the railroads decided he was too good a man to have against them. In 1909 he entered private practice, mainly devoted to railroad affairs, along with J. N. Flowers and G. U. Whitfield of Jackson. One of his early assignments was to help buy right of way through Pontotoc for the relocation of the line. In 1911 Judge Fletcher moved to Chicago to join the full-time legal staff of the IC. He became vice-president and general counsel of the IC in the early 1930's and has climaxed his brilliant career as general counsel, vice-president and president of the Association of American Railroads. At this time he is still active in certain cases for the association but is close to the point of retiring, since he will reach the age of eighty-three this year.

During the years in which construction of the main line was being pushed, the company also was developing its pier facilities at Choctaw Point. In 1904 the annual report of the company commented on the large amount of timber which was being shipped from the company's docks. A 23-foot channel had been dredged to this property which allowed entrance of the heaviest vessels that could use the upper portion of Mobile Bay. Also, while the main line was being completed, a 7-mile branch was built into the town of Ellisville from the main line south of Laurel.[35]

Although the road was listed as completed in the annual report for June 30, 1906, the company was not in a prosperous condition. During 1905 the whole line showed only $19,000 net income, and the completed road in 1906 showed only $29,000.[36] Part of the cause of the poor showing was a yellow-fever epidemic in New Orleans in the summer of 1905. This resulted in quarantines in both Mississippi and Alabama which lasted from July 29 to October 23 and seriously interfered with rail operations. Also the Pontotoc station was closed by court injunction from March 11 to April 13, 1906, which further decreased profits.

The problems of construction difficulties and low profits were too much for the Mobile, Jackson and Kansas City. On December 26, 1906, the road was placed in receivership and was operated thus until November 30, 1909, when its successor company assumed control.[37]

The receivers found that the company's financial affairs were

worse than reported, and events along the line were not conducive to recovery. In 1907 there was a severe depression in the overexpanded lumbering industry along with the national decline in business during the year. The receivers reported that of approximately 197 sawmills located along the lines of the road only 17 units were in operation in the first 6 months of 1907 and these were on "short" time. During the years 1907–08 the Hattiesburg branch had to be practically rebuilt, and heavy maintenance work was needed all along the line. Embankments had to be widened to 18 feet, cuts to 24 feet, and 128 miles of the road had to be reballasted. Serious trouble developed in the gumbo lands between Bay Springs and Roberts and also between Houston and New Houlka. The track in these areas almost disappeared and necessitated very heavy ballasting and reconstruction in some places. With these conditions facing the operation, it is not surprising that for 1907 there was a deficit of $416,000 and for 1908, $303,000.[38]

Trouble often seems to come in cycles, and apparently the Mobile, Jackson and Kansas City was having a few of its lean years at this time. The annual report for 1909 stated, "Much damage was inflicted and traffic was demoralized all over the system for several days in May and June by rains and floods, so seriously affecting the property that operations were entirely suspended for 13 days. Five miles of track were under water for the period named, though this track had been raised 2 feet above the highest recorded water mark; and since the recent flood these banks have been raised another 3 feet." In spite of this trouble the receivers reduced the deficit to $52,000 for the year 1909.[39]

Soon after the receivership had been set up in 1906, a program for reorganization was begun. A plan was prepared as of December 11, 1907 which was later modified and subsequently was used to establish the New Orleans, Mobile and Chicago Railroad Company.[40] The final plan called for the consolidation of both the Mobile, Jackson and Kansas City and the Gulf and Chicago into one company. One of the most interesting features of the plan was a provision to merge a third company into the consolidated new firm.[41] This third company was chartered for the purpose of building a rail line from a point near Ovett in Jones County to a location on the Louisville and Nashville very near to New Orleans. This line, in conjunction with the Louisville and Nashville, would give the Mobile, Jackson and Kansas City or its successors an entrance into

the South's major port. The line was never built, but the idea of gaining an entry into New Orleans remained a live issue.

THE NEW ORLEANS, MOBILE AND CHICAGO RAILROAD COMPANY

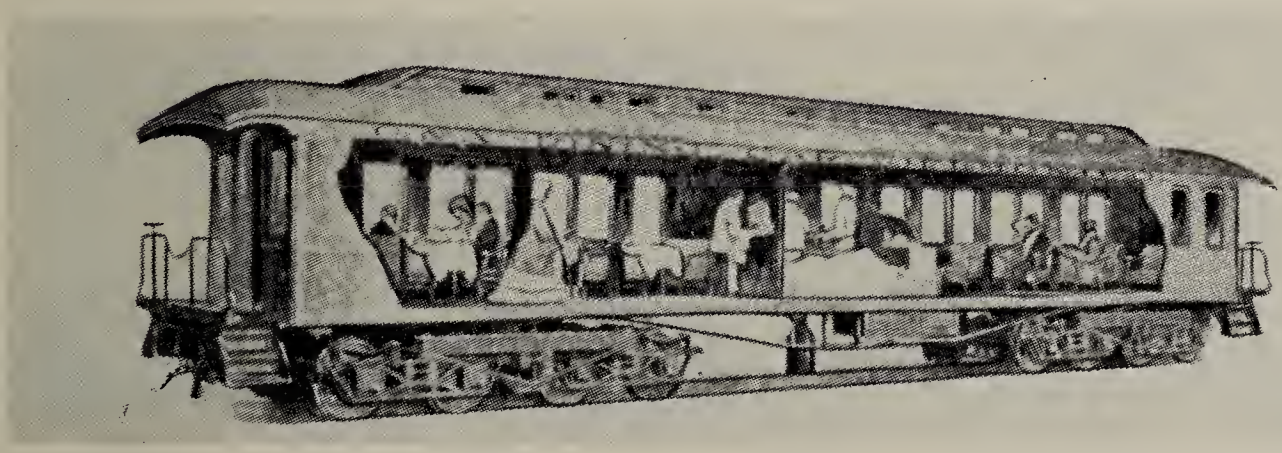
The Mobile, Jackson and Kansas City and the Gulf and Chicago had a total of $16,196,000 in stock and long-term debt outstanding when they went into receivership in 1906.[42] Of this total, $8,074,000 represented the stock of both companies, and $8,122,000 was in funded long-term debt. Since the two roads had about 402 miles of main lines, this meant that the combined roads had a stock capitalization of $20,000 per mile and a long-term debt capitalization of the same amount. These figures together give a total per mile capitalization of $40,000, which is a high figure for a railroad of the quality of these two companies.

The reorganized company was to bear an even higher capitalization which contributed heavily to its undoing. The New Orleans, Mobile and Chicago began its operations with a total capital structure of $20,222,000, composed of $9,333,000 in stock and $10,889,000 in bonds. For the same 402 miles of line the capitalization was $23,000 per mile in stock and $27,000 in bonds, with a total of $50,000 per mile. The $27,000 per mile in bonds at 5 per cent meant that the line had to earn $1,350 per mile net to pay fixed charges. This the line proved unable to do in its four years of existence, because of the poor condition of the roadbed and equipment and the lack of economic development in the territory.

On August 23, 1909, the properties of the Mobile, Jackson and Kansas City and the Gulf and Chicago were sold at foreclosure to John A. Laing, who acted for the reorganization committee. The new company began to operate the property as a unit on December 1, 1909, not quite three years after the older roads had passed into the hands of receivers.[43] J. C. Rich of Mobile, long-time attorney for the line, temporarily acted as president but was succeeded by L. S. Berg with W. F. Owen as vice-president.[44]

The New Orleans, Mobile and Chicago began its operations in a confident manner. The company planned to extend its tracks some 1.2 miles from Frascati (Choctaw Point) to the center of Mobile. New freight and passenger terminals were to be built at the corner of Augusta and Royal Streets.[45] The Board of Directors also decided

Above: President Lincoln's funeral train arriving in Springfield, 1865, on the Alton (GM&O) Railroad. *Below:* First dining and first sleeping cars were built in the Alton shops in Bloomington, Illinois.





The first steel railroad bridge—shown under construction for the Alton Railroad at Glasgow, Missouri, in 1879.

M&O wharves at Mobile about 1890.

to rebuild Pier No. 3 at Choctaw Point to improve the facilities for handling export freight.[46]

On February 1, 1910, the company began to use the terminal facilities of the New Orleans and Northeastern at Hattiesburg. This change was expensive but was made because the facilities of the New Orleans, Mobile and Chicago were "entirely inadequate and expensive to operate."[47]

The company was still plagued by faults or errors in previous construction. During 1911 a new concrete and steel draw bridge had to be built over the Pascagoula River by order of the federal government. A fixed steel bridge had to be replaced in order to keep the river navigable. At the same time a new bridge of heavier steel had to be built over Dog River near Mobile. The relocated line into Pontotoc was finally completed in 1911 as well as a relocation of the road into Decatur.[48]

The New Orleans, Mobile and Chicago in 1911 was a "log" line without a strong northern terminal and with a too heavy bonded debt, according to President Berg. A report from the president to the Board of Directors at their meeting on March 6, 1911, said in part:

> During the past month I carefully . . . canvassed . . . the affairs of this company and am constrained to arrive at the conclusion that we have now reached the maximum earning capacity of the property, with operating expenses at a minimum. . . . In event a depression in the lumber business of the country should ensue our resources will be severely taxed to meet fixed charges and maintain the property. Lumber represents 71 per cent of our total tonnage and approximately 40 per cent of our entire revenue. . . . Permanent relief can be obtained from the conditions above outlined by an extension of the line to Jackson, Tennessee. . . . In my opinion therefore it is absolutely essential to the future welfare of the property that arrangements be immediately made to extend the line. . . . This extension will also give us a direct line to Chicago in conjunction with the Illinois Central and will give us a connection with the Nashville, Chattanooga and St. Louis which we do not now have.[49]

In keeping with his idea of extension of the line, Berg held a meeting in Jackson, Tennessee, on Friday, March 24, to discuss this idea with Jackson leaders. He reported that the people seemed to be enthusiastic and apparently were willing to vote a $100,000 subscription in stock of the company at par if the line was extended.[50]

On April 3 the president reported to the board that the line could

not haul refrigerator cars north of Laurel because of track conditions and lack of northern connections.[51] He also stated that much northbound business which originated on their line had to be moved *south* to Mobile and turned over to connections there instead of moving north over the New Orleans, Mobile and Chicago.

For the year ending June 30, 1911, the New Orleans, Mobile and Chicago had a net income of $84,000, but this favorable condition did not last.[52] This was the last year the New Orleans, Mobile and Chicago would ever make a profit. The property would not produce any more net income until the reorganization plan had been put into effect by the creation of the GM&N in 1917.

One of the major causes of the downfall of the New Orleans, Mobile and Chicago was a trackage agreement which became effective on March 1, 1912.[53] On that date the road began operating its own trains into New Orleans from Laurel over the tracks of the New Orleans and Northeastern. For the 4 months from March 1 to June 30, 1912, this agreement cost the road about $40,000 and for the 12-month period from July 1, 1912, to June 30, 1913, the agreement cost $168,500, even though the contract was abrogated on June 1, 1913.[54] This disastrous arrangement was begun at the behest of the Frisco and the Louisville and Nashville railroads which had assumed control of the New Orleans, Mobile and Chicago in the last months of 1911.[55] These two roads in partnership owned about 56 per cent of the stock, and their representatives took charge at the first directors' meeting of 1912, which was held on January 11.[56] On January 13 L. S. Berg resigned as president, and W. F. Owen succeeded him in the top management post.[57]

During 1912 the New Orleans, Mobile and Chicago also began extensive track improvements on the line between Laurel and New Albany. This segment of the line was to be placed in good condition as soon as possible by extensive ballasting, putting in new creosoted ties, and installing continuous rail joints to replace the old tie plates. The purpose of this improvement was to turn the central sector of the New Orleans, Mobile and Chicago into a "bridge" to enable the Frisco and eventually the L&N to enter New Orleans over this route.[58] Frisco traffic would move to New Albany, then down to Laurel over the "captive" New Orleans, Mobile and Chicago, and from there on to New Orleans. The L&N was to be served in much the same manner, as soon as a connecting line could be built from Middleton to the L&N tracks near Milan or Atwood, Tennessee.[59]

When the directors of the New Orleans, Mobile and Chicago found that their road was facing a large deficit for the fiscal year 1913, the New Orleans traffic arrangement was cancelled on June 1, 1913. The total deficit for the company as of June 30 turned out to be $299,000,[60] which was only partly explained by the statement that heavy losses due to washouts caused by incessant rain had forced the detouring of trains from February 14 to March 14.[61]

The disasters of the years 1912 and 1913 caused the collapse of the New Orleans, Mobile and Chicago. On June 2, 1913, Kuhn, Loeb and Company advised the company that it was going to have to sell part or all of $952,000 first and refunding bonds to satisfy an unpaid note for $633,000 which was long past due.[62] By September the directors admitted that the company was insolvent. A bondholders' protective committee had already been formed and a reorganization was being planned with J. W. Platten, a representative of Kuhn, Loeb and Company, in charge.[63] On December 19, 1913, the road once more went into the hands of the courts, and F. W. Owen, former president, was named receiver to operate the property.[64]

Although the company was bankrupt and the directors knew it, this fact did not diminish the desire of the management to build a line into New Orleans. At a board meeting on December 8, 1913, plans to keep the property in operation during a receivership were discussed. At the same meeting a lengthy discussion centered around a proposal to extend the line from Beaumont to a point on the L&N tracks near the Pearl River just across Lake Pontchartrain from New Orleans. The proposed line would serve the Edward Hines Lumber Company which then owned the last major block of uncut timber in South Mississippi. Again the dream failed to materialize, but the idea took root more firmly in the minds of the men who controlled the road. Fourteen more years were to pass before this dream was accomplished by the GM&N in 1927 through its traffic agreement with the New Orleans Great Northern.

The bondholders' protective committee which had been formed in the early summer of 1913 employed the firm of W. H. Coverdale and Company of New York to study the road and to report its findings to the committee.[65] This report was submitted on September 2, more than three months before the road went into receivership. It was a very complete report and proved not at all complimentary to the former management.

One of the most exhaustive sections of the report discussed the construction problems of each of the major segments of the road. The northern sector from Middleton to Pontotoc was described as changed from narrow to standard gauge but with little else done to improve the roadbed. The section above New Albany was singled out as being in poor condition. The banks were narrow, cuts were unditched, the track unballasted and unsurfaced. Ties were in bad condition, and the rail was not close to meeting operating standards. Some 32 miles of the rail in this section were leased from the Southern Railway and had been worn out when obtained. (In 1913 the company was replacing this leased rail as rapidly as conditions would permit.)

The road from Pontotoc down to Newton was the section which had been constructed under contract with the Gulf and Chicago. Coverdale said this contract work was badly built and in part poorly located. The report said:

> The physical condition of this section of the whole line in 1906 was competently reported as deplorable and in 1908 was shown by the Mississippi Railroad Commission to have been in bad condition due in part to entire lack of maintenance from date of construction to that time. Roadbeds on fills did not exceed 14 feet in width, cuts were unditched and partly filled up. Grade lines were below high water, timber bridges were of poor design and poor material, cheap pine ties, no ballast, rail 60 lb. to 70 lb. and badly damaged under above conditions.

Most of this section had been rebuilt since 1908, but much work still remained to be done to overcome defective construction.

The sector from Newton to Merrill was described as built in 1903–04 by "Gulf City Construction Company with results even worse than those noted above (Pontotoc-Newton) because on about ½ of the section (Newton to Bay Springs and Laurel to Beaumont) much of the road bed consists of unstable material known as soapstone or 'gumbo' which has greatly increased the cost of maintenance and at times has caused the suspension of traffic." This section also had been rebuilt since 1908 and was in relatively good condition in 1913.

The road from Merrill to Mobile was pronounced adequate and in fair condition since traffic on this sector was light. The branches to Hattiesburg and Ellisville were described as poor, but traffic on both was considered negligible and no changes were needed.

The general condition of the line in 1908 was reported to have

been very poor. The new management in 1909 attempted to correct the situation but had not been able to do all that was needed. The Mobile freight terminal was largely undeveloped, and the Mobile passenger facilities were classed as negligible. One of the bright spots of the entire picture was the equipment situation. About one-third of the locomotives and nearly half the cars were less than six years old.

Much of the harshest part of the report had to do with financial affairs of the construction era. In one instance a contract called for 32 miles of the old Gulf and Chicago to be made standard gauge at a cost of $10,000 per mile. Specifications were attached to the contract to show what the job included. Bonds in the amount of $321,700 were paid out for this contract on the strength of a certificate of April 18, 1907, that the work had been done. Later examination showed that only $51,870 was spent by the contractor on this work which was not done according to specification. The contract called for new 70-pound rail at $30 per ton to be bought and installed. No rail was bought; instead, 50-pound rail was leased from the Southern.

Coverdale was guilty of an understatement when he said that most of this money went for "purposes not contemplated by deed of trust." He closed his statement about financial affairs with a ringing indictment of the reorganization of 1909. He said,

> Upon such operating record was based the reorganization plan of November 30, 1909 which was unsound not only in that it perpetuated a mortgage debt in excess of the value of the property, but in that it greatly increased such debt by funding unearned back interest, floating debt, and miscellaneous claims, in full. It was unsound also not only in that it disregarded the bad physical condition of the property, but in that it contributed substantially nothing towards its upbuilding; and finally it was unsound not only in that it disregarded the company's poor record of past earnings, but in that it necessitated greatly increased earnings in order to prevent the default which has since occurred.

With such a bad general picture, one might assume that Coverdale might be pessimistic about the future of the road. This was not the case, however, for his recommendations were to expand the line instead of abandon it. The road was justified in operating in its present condition between Mobile and Middleton and in a normal setting the line should make money on a reasonable capital structure. Coverdale suggested a drastic debt reduction in keeping with

the quality of the road. His most spectacular recommendations however called for the company to build two new parts to the main line. A northern extension should be built to Atwood, Tennessee, to connect at that point with the L&N. Also, a southern extension should run from Beaumont to Ansley, 35 miles east of New Orleans. It, too, was on the L&N. Both of these extensions were estimated as being able to earn more than their own charges under a strengthened company.

The Coverdale report had a great impact on the reorganization committee, even though some of his recommendations were not followed. Part of the explanation for that lies in the fact that it was not until March, 1915, that a reorganization plan was perfected.[66] By that time money markets had been disrupted because of the outbreak of World War I, and Coverdale's idea of issuing bonds to pay for new construction was not possible for the bankrupt New Orleans, Mobile and Chicago.

The reorganization committee which had set up the New Orleans, Mobile and Chicago obviously was quite unrealistic in its handling of securities. No such charge could ever be levelled at the committee which liquidated the New Orleans, Mobile and Chicago and organized the GM&N. The committee of 1913–15 decided it wanted good securities or none at all. Its plan called for all bonds of the old company to be exchanged for preferred and common stock in the new company, which would have no bonded indebtedness except $27,000 of an old Mobile, Jackson and Kansas City issue which had not been paid off. Holders of each $1,000 bond of the old company were to get $833.33 in preferred stock and $750 in common stock of the new firm. Holders of unsecured debts and deficiency judgments were to be given common stock in par value to equal their total claims plus interest at 6 per cent up to December 31, 1914. Holders of old preferred and common stock were given a chance to buy new stock if they so desired at a low price, but few seemed interested in availing themselves of this provision.

All stock in the new company was to be placed under a trust agreement which would allow continued operation of the new company for five years without stockholders' meetings. At the end of that time the stock was to be released and the trust dissolved.

The primary purpose of the trust was to assist the road in one extension program instead of the two which Coverdale had recommended. The committee had decided to extend the line to Jackson,

Tennessee, instead of to Atwood. Jackson was a closer point and the committee also was impressed with the fact that at Jackson several roads with lines running to the north could be reached, instead of the one at Atwood.

Few if any railroad reorganizations have been as drastic as the one proposed by the reorganization committee of the New Orleans, Mobile and Chicago in March, 1915. One cannot give too much credit for the later success of the GM&N to this action, which almost entirely freed the line from fixed charges. There is little doubt but that the strength necessary to do this task came primarily from the agents of Kuhn, Loeb and Company, which had been the road's banker for many years. J. W. Platten, chairman of the reorganization committee, and R. F. Brown, who served as secretary, were associated with the New York banking house.

Not all of the security holders agreed with the reorganization committee that all bonds should be wiped out in order to allow the road to grow. Suits were filed against the plan, and it was not until January 1, 1917 that the GM&N became an operating concern. W. F. Owen, who had served as receiver for over three years, was elected President of the new Company when it began operations.

THE GULF, MOBILE AND NORTHERN—1917–19

The first order of business for the new Company after it assumed control on January 1 was to get started on the program to extend its line to Jackson, Tennessee. This 40-mile extension was expected to add a haul of almost 83 miles to a majority of the through haul business of the GM&N. Because there was no northern terminal transfer point most through freight business left the line at New Albany, some 43 miles below Middleton.

At a meeting of the Board of Directors which was held on January 18, the GM&N gladly accepted the tentative offer of the city of Jackson to buy 1,000 shares of $100 par value common stock.[67] During this same meeting of the Directors, I. B. Tigrett was elected to membership on the Board as a representative of the city of Jackson.[68] The Directors felt that the Company would get better local co-operation if a member of the Board was from Jackson, and the Company undoubtedly felt that its chance of getting the $100,000 "bonus" from Jackson would be enhanced if a local man were associated with the project.

The people of Jackson must have been interested in the GM&N

or in "Ike" Tigrett or in both, for on May 8, 1917, the citizens voted, 790 for to 69 against, to issue $100,000 in city bonds to buy stock in the railroad.[69] The city stipulated that construction had to begin within 12 months and the whole project had to be finished within 24 months.

The GM&N was just as eager for speed as was the city of Jackson. As a result, actual construction was begun on April 20, 1917, about two weeks before the election was held. The company had been aware of the almost universal support for its project and hence felt safe in making an early start on construction. After the election the work was rushed as rapidly as conditions would permit.

Another construction project was started by the GM&N in 1917.[70] A branch road was begun which was to run from a point near McLain, Mississippi, into the so-called Blodgett timber tract. There were large, untouched timber reserves in this area which lay between the main lines of the GM&N and the Mobile and Ohio. McLain was about 60 miles north of Mobile on the GM&N, and the Blodgett branch was planned to extend about 35 miles from that point toward the northeast. The branch was to be built in sections, in a manner acceptable to the Blodgett interests.

While these construction projects were being pushed forward, the road was trying to expand its lines in other ways. In June the Board of Directors chose a committee to consider ways and means of buying the 32-mile Meridian and Memphis to gain access to Meridian, Mississippi.[71] At the same time, another committee was selected to look into possible terms of purchase of the Birmingham and Northwestern.

The company could not expand its lines south of Mobile, but improvement of the road's terminal facilities at Mobile was authorized by the Board of Directors in June, 1917. The GM&N was trying to put its house in order as rapidly as its slim resources would permit.

No arrangements were made for the purchase of the Birmingham and Northwestern during 1917, but a trade was agreed upon which would give the GM&N control of the Meridian and Memphis.[72] The plan was completed in January, 1918, and since that date the two roads have operated with a single policy, even though the GM&N did not merge the Meridian and Memphis completely into its own corporation until 1929.

The year 1917 brought the United States into war with Germany, and the end of 1917 saw the United States government take over

control of most of the nation's railroads. The GM&N was not a vital line in many respects but it, too, went under the control of the Director General of Railroads, W. G. McAdoo. Federal control became effective on December 31, 1917.

The corporate officials of the GM&N had little control over the Company's affairs during the 26 months of federal control. All operating policy decisions were made by the federal manager, who for most of the period was Colonel R. V. Taylor. Prior to federal control, Taylor had been vice-president and general manager of the M&O. Taylor, in turn, commissioned W. F. Owen to become General Manager of the GM&N.[73] In order to accept the federal appointment, Owen had to resign as President of the GM&N, which action severed his relations with the Company. J. W. Platten, Chairman of the Board of Directors, accepted the temporary assignment of President so as to keep the corporate affairs of the Company in order as much as possible.

Director General McAdoo was not in favor of keeping the so-called short lines under government control. At one time during the month of July, 1918, the GM&N was returned to private control for a short period, but the order was soon revoked, and the GM&N remained throughout the remainder of the period under government control.[74]

Although the government operators kept control of the GM&N, the Company was not treated in the same manner as the more important through lines such as the M&O and the IC. A large majority of the through freight from or to Mobile was moved over the M&O, and maintenance on the GM&N was not kept up to standard. This policy was only a natural result of the manner and personalities of the federal control group. In spite of its being natural, the GM&N management could not be happy under such an arrangement. One of the principal reasons that W. F. Owen was not re-elected to the office of President of the GM&N in 1920 was his acceptance of the policies laid down by his superior officers, which in general proved distasteful and seemed unfair to the Directors of the GM&N.

Even though there were differences between the aims of the corporate management and the federal operators of the road, progress was made on the construction program for the Jackson extension and the Blodgett branch. The federal managers provided certain funds to carry forward these projects. On August 3, 1918, the first 18 miles of the Blodgett branch from McLain to Avera was opened

for use.[75] The Jackson extension project was more difficult and progress was slower. In fact, the road was unable to meet its deadline of completion by May, 1919, and had to ask the citizens of Jackson for an extension. On February 20, 1919, the citizens of Jackson again expressed their faith in the GM&N and I. B. Tigrett by extending the time from May 12 to September 12, 1919.[76] On September 2, ten days before the new deadline, the road was opened for traffic and the project accepted by the people of Jackson.

The war-time spurt in shipbuilding hit Mobile just as it hit most other ports of the United States. As a result, a new firm, the Chickasaw Shipbuilding Company, was started at Chickasaw, Alabama, just north of Mobile. The GM&N in 1918 wanted to build, and did buy right of way for, a 4-mile spur from its lines near Frascati to the Chickasaw shipyards. This was one project on which the Company did not get any support from the federal managers. Since the M&O and the Southern both entered Mobile from points quite close to Chickasaw, the federal managers decided that the GM&N's Chickasaw spur, as it was called, would be a wasteful duplication of facilities. Because of this decision, no federal funds or railroad operating revenues could be applied to this project, and its completion was prevented.[77] Some six years later, when the GM&N was in stronger financial condition, the spur was built to allow both the GM&N and the L&N to serve the new Alabama State Docks without using the lines of the M&O or the Southern.[78]

The owners of the Birmingham and Northwestern apparently wanted too much for their 49 miles of railroad, for on June 17, 1918, Mr. Tigrett requested that the GM&N cease considering it for purchase at that time.[79] This did not prevent the friendly co-operation of the two lines, because in the latter part of 1919 the GM&N made plans to use the terminal facilities of the Birmingham and Northwestern in Jackson rather than build its own.[80]

In May, 1919, President Woodrow Wilson announced that he intended to return the railroads of the country to their private owners at the end of the year. As the months passed it became apparent that the date of January 1, 1920, could not be met because Congress had not passed the necessary legislation. In order to be ready to maintain continuous operation, the GM&N chose a new President on October 24, 1919. I. B. Tigrett, of Jackson, the local Director who had been chosen to see to it that the GM&N received its $100,000 "donation" for completing the Jackson extension was chosen as "tem-

porary" President.[81] At the same time Mr. Tigrett's friend and former assistant, Frank Hicks, was made Comptroller of the Company. With this experienced team in control of the financial affairs of the GM&N, the Board of Directors hoped that the Company would be able to weather the storms which seemed to be ahead. The fact that this history has been written indicates to some extent at least the success which has attended their efforts in the thirty-three years since that time.

CHAPTER · XXIII

The Mobile and Ohio Railroad—1848-1940

THE HISTORY of the Mobile and Ohio Railroad Company's 92 years of useful life cannot be compressed into a few pages in this short chapter. The only thing which can be done is to bring to mind the most important events in the history of the road which have tended to make the M&O available for the merger with the Gulf, Mobile and Northern in 1940. The full story of the unusual development and the importance of the M&O must be reserved for a separate study.

The Mobile Road, as it was often called in its early days, was planned by the people of Mobile to serve the city in the same manner that the Mississippi River had served New Orleans. The railroad was expected to bring the trade of the upper Mississippi, the Missouri, and the Ohio river basins to Mobile. The project was named the Mobile and Ohio Railroad, because it was to connect that city with the great river systems which converged near Cairo, Illinois, and thus the port of Mobile was to assume a much greater role in commercial affairs at the expense of New Orleans.

Mobile had been hard hit by the panic of 1837, and even prior to that time her importance as a port had been declining. M. J. D. Baldwyn of Mobile conceived the plan of restoring Mobile to its former position of wealth and commerce by the development of a railroad which would divert much of the immense export trade of the northern states to his native city. For a number of years his ideas and pleas fell on deaf ears. By 1847, however, he had aroused enough enthusiasm for his project to secure public subscriptions to

finance a successful reconnaissance trip from Mobile to the Ohio River.

After the preliminary survey in 1847 showed the road to be feasible, the Mobile Road finally became a popular project for Mobile. Its citizens henceforth gave it substantial assistance. The M&O was chartered in January and February, 1848, by the states of Tennessee, Alabama, Mississippi, and Kentucky in the order named. Much interest was aroused in all the states through which the road was to run. State, county, city, and individual assistance was sought, and large amounts of stock were subscribed.

The city of Mobile voted a special property tax to force all property owners to buy stock in the road. The state of Alabama made substantial loans to the company. Mississippi bought a large amount of stock in the project. Tennessee granted a loan based on the number of miles of the road which ran through the state. Most of the counties through which the road ran purchased stock and many of the "cities" along the route also granted aid.

The thing which really made the building of the road possible, however, was the grant of federal lands to aid in its construction. Senator Stephen A. Douglas of Illinois must get most of the credit for the passage of the land grant bill to aid the Illinois Central and the M&O, which was passed by Congress in September, 1850. The congressmen of Alabama, Mississippi, Tennessee, and Kentucky heartily supported the measure after the M&O had been included in Douglas' pet project. The land thus granted to Mississippi and Alabama was to be transferred to a suitable company to build a road. The estimated value of the land at the time was at least $2,000,000, which was thought to be enough to "iron" the road in the states of Mississippi and Alabama. As the federal government had no public domain in Tennessee and Kentucky, no grants were made in those states.

After the grant was transferred to the M&O by the states of Mississippi and Alabama, the company was able to proceed with construction. The first sector of the road to be ready for service was the 30-mile line from Mobile to Citronelle, Alabama, which was opened in 1852. Although there were many problems and delays after this start, the line was finally completed from Mobile to Columbus, Kentucky, on April 22, 1861. River steamers were used to connect Columbus and the M&O with other river ports and with the IC at Cairo. The management of the M&O expected that much of the

M&O's traffic would come from St. Louis, and since this would necessitate a river crossing, the Columbus location would serve almost as well as Cairo. This was especially true because the St. Louis and Iron Mountain Railroad had planned to terminate its line at Belmont, Missouri, just across the river from Columbus, Kentucky. At any rate, the management of the M&O felt justly proud of its accomplishments up to 1861, as this quotation from the annual report of 1866 shows:

> At the commencement of the war, the company was in good condition, had inspired universal confidence at home and abroad and had ample resources to meet all its engagements. The road in its progress to completion had set and overcome opposition of the greatest magnitude. In the State of Mississippi, it had been opposed by the friends of a rival road from New Orleans; in Tennessee it had met the violent opposition of the enterprising and energetic city of Memphis. The great length of the road, passing through sections of the country having no previous business or commercial connection with each other, gave to these rival interests an opportunity for playing on the passions and prejudices of the particular localities, and throwing obstacles in the way of its progress. Towns and villages, a short distance from the track of the road, put themselves in hostility to it because it did not change its location and send its cars directly to their doors. When the company was compelled to apply to the legislature of the several states through which the road was located for necessary legislation to aid its completion, we were constantly met by opposition from these local and rival interests.
>
> But by energy and perseverance this great road was completed and on the 22nd of April, 1861, when the last rail was laid in the track, the company had a road of the first class, built in the most substantial manner with rails and fastenings and other materials unsurpassed in the United States and supplied with rolling stock amply sufficient to meet all the requirements of its extensive business. From the resources then at our command, estimating the future earnings of the road at figures below what we had a right to expect, it was safe to calculate that within two years from the completion of the road we could commence payment of dividends on our stock.

Because of the delay in construction, the M&O never had a chance to prove its real worth to Mobile. The Civil War began almost immediately, and in a matter of months the northern terminal was in federal hands. During the great struggle, the M&O served as a medium of transport and a target for both sides in the conflict. Whenever one side or the other could not use the road for troop movement or supply, its soldiers were ordered to destroy the road to prevent enemy use. The M&O emerged from the conflict in ter-

rible condition. The following quotation, also from the annual report of 1866, is a brief statement of the total damage which the war brought to the road:

> The War came and the company has suffered largely by it. The Confederate Government controlled the transportation of the road and we were occupied chiefly in transporting men and supplies for the army. In this way, the Confederate Government became our debtors, including bonds, etc., in the sum of $4,983,871.23. A part of this was due long before the close of the war, but we were not able to collect it because of alleged want of means of payment. Add to this over fifty negroes costing $119,-691.00 and Alabama State Bonds, since declared void, being issued for the purposes of the war $125,000.00 and it makes the round sum in Confederate currency of $5,228,562.23, all of which was lost to this company. But our losses did not stop with a failure to get pay for services which we were, by military orders, compelled to perform. All our bridges, trestle work, warehouses and station buildings between Union City, Tennessee and Okolona, in Mississippi, a distance of 184 miles, were destroyed. General Sherman's raid to Meridian destroyed north and south of that place all the warehouses, water stations, bridges and trestle work on 48 miles and on 21 miles of that distance, he bent, and as far as possible destroyed, the rails and fastenings. From a full supply of rolling stock of the finest quality, we were reduced to one-fourth of what was necessary and that was in bad condition. Our repair shop at Jackson, Tennessee, was broken up; and on the evacuation of Mobile, the stationary engine and tools in the shop at Whistler were destroyed. We had, at the close of the war, neither tools nor materials to repair our little remaining rolling stock and keep it on the track. In this condition of things, the road was delivered back to us by the United States military authorities.

The M&O in 1865 needed to be almost entirely rebuilt and re-equipped, while at the same time it was also necessary to provide for the past due interest on the existing debt. The creditors of the road were sympathetic and did not foreclose, but the road was unable to earn enough to restore a semblance of prosperity to the company. Finally in 1875 the road passed into the hands of receivers, who operated the property for eight years.

In spite of its financial problems, the M&O did serve as an important transportation line for its territory. The city of Aberdeen, Mississippi, built a branch from the main line of the M&O to Aberdeen, completing the project in 1870. In the same general period the 14-mile Starkville branch was built and opened for service in 1875.

The M&O originally had been designed to extend to the Ohio River near Cairo, but under the pressure of construction problems

and regional jealousies Columbus, Kentucky, was used as the northern terminal. In the years before 1861 the managers of the M&O had hoped that the St. Louis and Iron Mountain Railroad from St. Louis to Belmont, Missouri, on the Mississippi River opposite Columbus would be completed by 1861, but this did not take place until 1871. By 1870 the M&O realized that the Belmont-Columbus transfer idea was not going to be an ideal arrangement; therefore, the company began preparations to extend the M&O from Columbus, Kentucky, to East Cairo, opposite the IC. The plan was soon dropped, however, because of the financial difficulties of the M&O, and not until 1880 was it revived. Under the guidance of the receivers, the M&O went ahead with the project and on May 1, 1882, the extension to Cairo was put into service.

In 1886 the M&O acquired the narrow-gauge St. Louis and Cairo Railroad and changed it to standard gauge, thus making possible a through haul from Mobile to St. Louis (except for the ferry service at Cairo). The St. Louis and Cairo had been built on the east side of the Mississippi River to perform the function which the St. Louis and Iron Mountain had not satisfied. After this line was built, the Columbus, Kentucky, terminal of the M&O became of almost no importance, and eventually the line down to the river was abandoned altogether.

In its quest for more traffic for the northern end of the line, the M&O determined to build a line from its Columbus, Mississippi, terminal on toward the southeast and Florida. Contracts were let in 1896 for a line to run to Tuscaloosa and Montgomery, Alabama. This line, together with the 9-mile Warrior Southern branch and the 11-mile Brocton branch was opened for service on June 30, 1898.

In 1898 the company decided to build a line to the southwest from Mobile. As a result, the Mobile and Bay Shore Railway was chartered to build a 39-mile line from Mobile to Alabama Port and Bayou La Batre. This branch, which was located wholly in the state of Alabama, was completed in 1899, and the M&O acquired title to the Mobile and Bay Shore Railway at that time.

Some of the additions to the line of the M&O proved of definite value to the company, but the road never was able to catch up with its two prosperous and aggressive competitors, the IC and the Louisville and Nashville. For this reason, the board of directors of the M&O recommended that stockholders and bondholders of the M&O accept a security exchange plan which was offered by the Southern

Railway on January 31, 1901. The Southern wanted the north-south line of the M&O and was in a position to provide financial assistance which the M&O needed to remain in competition with its richer rivals. Under its plan, the Southern acquired control of the M&O when the holders of 48,748 shares out of 53,206 shares outstanding exchanged their stock for 4 per cent Southern stock trust certificates. At the same time the holders of a majority of the M&O general mortgage bonds exchanged their securities for Southern collateral trust gold bonds for the same amount, principal and interest, payable on the same dates and secured by the M&O general mortgage bonds.

This exchange plan was so nearly universally accepted that the Southern apparently decided to merge the M&O into the Southern System. A bill was introduced and passed by the Mississippi legislature of 1902 to allow such a merger. Governor James K. Vardaman, who later became U.S. senator from Mississippi, objected to this strongly, and he vetoed the bill which had passed both houses of the legislature. Since the legislature was not strong enough to override the veto, the merger plans were discarded. The two lines worked closely together in the years from 1901 to 1930, but no further attempts at merger were made.

After acquisition of control by the Southern, the M&O ceased to have a separate operating policy. Its affairs were fitted into those of the Southern whenever it was possible, and in no instance did the two roads compete with each other. Under the guidance of the Southern, the M&O was able to secure new capital sufficient to make the road a major contender for traffic into and out of the Mobile area. The road was so much improved that it paid dividends from 1908 to 1930 which more than reimbursed the Southern for its 4 per cent annual payments on the M&O stock certificates. Throughout most of this period the M&O was considered to be a highly prosperous road, and its future looked relatively bright to the casual observer. Trouble was brewing for the M&O, however, and the decline of the national building boom in the late 1920's showed the inherent weakness of the company. Its net income declined sharply after 1926. By 1930 a net deficit of almost $1,000,000 put the M&O into serious trouble. The deficits continued and in 1932 amounted to $2,237,000. The Southern was in serious difficulty by this time and was unable to provide further assistance. Under such circumstances a reorganization was unavoidable. On June 3, 1932, the M&O went

into the hands of a receiver for the second time in its existence.

With the appointment of a receiver for the M&O the operating policies of the two roads were separated, and after that date the Southern had little day-to-day control of its subsidiary. Not until 1938 was the Southern willing to consider divesting itself of its control of the M&O, and then the decision was largely forced on the parent road. The Southern had commitments to the Reconstruction Finance Corporation which were coming due, and operating revenues at that time were not sufficient to provide funds for payment. Under these circumstances the Southern reluctantly decided to sell its M&O bonds for cash in order to get funds to settle part of its account with the Reconstruction Finance Corporation. Once the Southern had accepted its need to dispose of the M&O, the plea of I. B. Tigrett was listened to, and the merger of M&O and the GM&N became a reality.

An action by the Interstate Commerce Commission in 1929 also may have had some influence over the decision of the Southern to free the M&O. In April, 1929, the Commission issued a complaint against the Southern alleging that the Southern was in violation of the Clayton Antitrust Act through ownership of the M&O and the New Orleans and Northeastern without the approval of the Commission. The case was never pressed against the Southern and was finally dropped in 1933 after the M&O had gone into receivership, but the matter stayed in the public record. After this action, the belief became widely held that the Southern had used the M&O for its own profit, at the expense of the M&O property and thus in effect the holders of other M&O securities. Since the M&O certainly was not of great help to the Southern while in receivership, the Southern may have decided to avoid further criticism by disposing of its M&O bonds and thus dissolving all relations with the defunct M&O. At any rate the action was decided upon and the Southern received about 93 cents on the dollar for its M&O bonds when the GM&N acquired them in 1940.

CHAPTER · XXIV

The Alton Railroad—1847–1947

THE RAILROAD which for many years was commonly spoken of as "The Alton" has had an even longer history than the Mobile and Ohio. The Alton and Sangamon, as it was first known, was chartered a year earlier than the M&O, and the Alton Railroad was merged into the Gulf, Mobile and Ohio in 1947, just one hundred years later. It is impossible to crowd the history of this hundred years of service of this famous sectional road into a few pages. Only the briefest outline of the Alton's important career is included in this chapter.

Like the M&O, the Alton and Sangamon was named for a city and a river. This road was designed to join the fertile agricultural region around Springfield, Illinois, with the Mississippi River at the river port of Alton. The people of Alton, who lived some 20 miles upstream on the Mississippi River from St. Louis, dreamed of making their town a major city. The coming of the railroad seemed to offer the means by which the fertile midcountry of Illinois might be made tributary to Alton. This little city was located about 3 miles above the confluence of the Missouri and the Mississippi. It also was about 10 miles below the mouth of the Illinois River. The town was well situated on land which did not flood or wash and hence offered an admirable site for a river port. For this reason the people of Alton were eager to support the premature 1837 Illinois program for internal improvements which called for a railroad to be built to Alton. Although the Panic of 1837 killed this undertaking, the people of Alton did not give up their plans. Several attempts were made to get construction started, and finally in 1851 the Alton and Sangamon managed to complete the line from Alton to the new state capital which had been named Springfield.

Throughout the decade of the fifty's the road eked out a precarious existence and somehow extended the line, first to Bloomington, then to Joliet. During this 10-year period the road changed its name several times and finally sank into bankruptcy. Money was so scarce that wages were not paid, thus causing the first strike on the road.

The state of Illinois realized that the Chicago and Mississippi, as the road was then named, must be reorganized on a firm basis if the line was to serve the people of the state effectively. A commission was appointed to reorganize the road. In this action the company's name was changed to the Chicago and Alton Railroad Company. The reorganization brought into the company the leased Joliet and Chicago, and it was through this small company that the Chicago and Alton secured its nineteenth-century man of destiny. T. B. Blackstone had been chief engineer in the construction of the Joliet and Chicago, as well as a major shareholder. In 1861 he was made president of the Joliet and Chicago. In 1864 Blackstone was made a director of the Chicago and Alton and within three months was its president. From that point the fortunes of the Chicago and Alton began to change. Blackstone was not the sole cause for this, because the reorganization had been well done, but the expert administration of Blackstone made it possible for the road to develop into a very valuable property.

From 1864 to 1899 the Chicago and Alton never failed to pay a dividend of 6 per cent per year, and it frequently paid as much as 8 or 10 per cent. Blackstone was president for this entire period, and his reputation and that of the Chicago and Alton increased throughout the period. In 1864 the Chicago and Alton operated 250 miles of line, but in 1899 it had almost 1,000 miles in operation. Kansas City had been added as its western terminal, thus giving the road access into three major rail centers of the Midwest.

Throughout the Blackstone era the Chicago and Alton lived an independent existence, proud of its claim of being the best sectional road in the West. Most of the freight of the Chicago and Alton originated along its lines, and much of it terminated there. By 1871 the Chicago and Alton hauled more coal into Chicago than any other railroad; only the lake steamers brought more fuel to the city. The Chicago and Alton was also a prime mover of corn and wheat as well as livestock from its Kansas City terminal. Blackstone had

been one of the developers of the Chicago Union Stockyards idea and served as its president from 1864 to 1868.

By the end of the century T. B. Blackstone had grown old and events outside the C&A were also foreshadowing change for the line. The high degree of prosperity of the road naturally would evoke interest in the line. A number of major railroad systems were eyeing the Chicago and Alton as a valuable addition to their holdings. The Goulds were interested in adding the Chicago and Alton as the connecting link between the Missouri Pacific and the Baltimore and Ohio. The Rockefellers, who controlled the Missouri, Kansas and Texas, thought that the Chicago and Alton would be a worthwhile addition to their lines. E. H. Harriman was anxious to join the line to his Union Pacific (UP) and Illinois Central operations.

Under these circumstances the purchase became too big for any one of these units. When Blackstone and his friends finally agreed to sell their stock, the asking price was $175 per $100 share of common and $200 per share of preferred. At this point Jay Gould was reported to have given up. Then E. H. Harriman arranged for a syndicate comprised of several of the major rail financiers of the day to enter the picture. Blackstone's price and terms were to be met. One of the conditions of the sale was that if a majority of stock should be deposited with the syndicate by March 1, 1899, then the syndicate would agree to extend the same terms and prices to all additional stock which should be turned in by April 1, 1899. This forced the syndicate to buy all offered stock rather than just enough to give voting control. Blackstone had demanded this to protect his small stockholders, many of whom were widows whose money had been entrusted to him for investing and care. Newspapers of the day spoke of the unusual terms and said that Blackstone himself had not accepted an earlier offer for his stock, amounting to about one-third of all shares, which would have netted him $1,000,000 more than the final offer. Because he controlled about 33 per cent of the stock personally, Blackstone was able to set his own terms, since the charter of the C&A required a two-thirds majority vote to issue new bonds. Unless the syndicate traded with Blackstone, he could thus tie up any refinancing plan which might be desired.

In the final analysis, the syndicate bought about 95 per cent of all C&A shares, for which they paid $39,773,425. The road had out-

standing 187,511 shares of common and 34,795 shares of preferred stock which had a par value of $22,230,600.

With this action, Blackstone's beloved sectional railroad became merged into national systems and rapidly lost its identity as an independent Midwestern road. Blackstone did not long survive the sale for he died on May 26, 1900, just a little more than a year after consummation of the deal.

The syndicate meanwhile had proceeded to revise the capital structure of the C&A in an effort to recoup part of their tremendous cash outlay of nearly forty million dollars. The first move was to issue $32,000,000 in 3 per cent bonds. These bonds were sold at 65 to the stockholders, who in turn sold them to the public over a period of years. If the bonds were sold at an average price of 90, a profit of $8,000,000 would have been made by the various stockholders. In later years the Interstate Commerce Commission reported that $10,000,000 of these bonds were sold to insurance companies in New York for 96, which would have indicated a larger profit at least on that bloc of securities. In 1900 the new owners of the Chicago and Alton voted a 30 per cent cash dividend on all stock, which amounted to $6,699,000. These funds came out of the proceeds of the earlier bond sale, which thus left only $13,410,000 in cash out of a sale of $32,000,000 face amount of bonds.

At the same time that these transactions were taking place, the physical properties were being improved considerably. Expenditures for maintenance of way, maintenance of equipment, and other maintenance went up sharply under the new regime. For example, in 1900 the company spent $1,748 per mile on maintenance of way, whereas in 1905 it spent $3,060 per mile. One report said that by 1907, 60 per cent of the entire line had been reballasted, 70 per cent had been laid with heavier rail, and ties had been renewed on 77 per cent of the main line. The tractive power of locomotives had increased 132 per cent, capacity of all freight equipment had been increased 146 per cent, and the average capacity per car had gone up from 21.5 tons to 33⅓ tons.

Much has been written about the Harriman treatment of the Chicago and Alton. Many writers have stated that the road was gutted by the syndicate and then thrown aside like a sucked-out orange. Certainly the syndicate increased the capitalization tremendously in the six or seven years that the Chicago and Alton was

under its control. The following table will show just what happened to the capital structure of the road from 1898 to 1906.

In spite of the very large increases in liabilities, the road was able to show increases in gross and net revenues in the period 1900 to 1907. By that time the road had changed hands, and the Harriman interests were no longer in control. In 1904 the Chicago and Alton

TABLE V

CHANGES IN CAPITAL STRUCTURE OF THE CHICAGO AND ALTON RAILROAD—1898–1906

Liabilities	1898	1906	Increase	Per Cent of Increase
Common stock	$18,751,100	$ 19,542,800	$ 791,700	4
Preferred and prior lien stock	3,479,500	20,423,300	16,943,800	480
Total share capital	$22,230,600	$ 39,966,100	$17,735,500	80
Funded debt outstanding	$ 8,650,850	$ 64,350,000	$55,699,150	644
Guaranteed stock	2,129,000	3,693,200	1,564,200	73
Other liabilities	940,957	5,865,056	4,924,099	525
Total indebtedness	$11,720,807	$ 73,908,256	$62,187,449	530
Total liabilities	$33,951,407	$113,874,356	$79,922,949*	235

* A total increase of almost $80,000,000 to capital liabilities. According to the company's own books, only $18,000,000 had been added to the total investment.

had passed into the control of the UP and the Chicago, Rock Island and Pacific (Rock Island) with the latter holding a majority of the stock. In 1907 the Rock Island stock was sold to the Toledo, St. Louis and Western, better known in that time as the Clover Leaf. When this transaction took place, the C&A passed into the control of the Clover Leaf and E. H. Harriman ceased to be the guiding hand in C&A affairs.

After the 1907 purchase of control of the C&A by the Clover Leaf, the C&A began to lose ground financially. Although some dividends were declared out of previously accumulated surplus, the company soon lost its record of dividend payments. By 1912 the Chicago and Alton and the Toledo, St. Louis and Western were both in dire straits. From that date the Chicago and Alton showed a deficit for every year up to 1941 except 1918, 1923, 1925, and 1926. For a number of years prior to federal control in 1918, the UP provided funds to keep it from going into bankruptcy. This apparently was done by the Harriman family to hold down the attacks on Harriman's reputation because of the earlier transaction. After 1906, Theodore Roosevelt had attacked Harriman bitterly and used the

Alton affair as his principal talking point. The controversy over the propriety of the actions of the syndicate became front-page news and remained in the public mind for many years after Harriman's death in 1909.

In spite of the generosity of the UP, the Chicago and Alton did finally slip into receivership in 1922. The road just could not earn enough to pay its fixed charges and a collapse was inevitable. The road had lost much of its cattle trade from Kansas City, and its coal business into Chicago was fast slipping away. The labor strife of 1922 evidently served as the coup de grâce from which the sick Chicago and Alton could not recover. In reality, the road had not paid interest on some of its bonded indebtedness since 1917 and hence it had been insolvent from that date.

During all of the years of the 1920's the road remained in receivership, not able to earn enough to cause a plan of reorganization to be formulated. Finally, in 1929 the road was sold under foreclosure and the B&O acquired control of the company. When the Interstate Commerce Commission agreed to the "permanent" joining of the B&O and the C&A, a new company was formed to operate the property. The Alton Railroad was created to assume title to the property of the old Chicago and Alton, and thus the proud name disappeared from rail circles.

The road remained in operation, and the deficits continued. The depression of the 1930's obviously made the task infinitely worse, but even in the early years of World War II the Alton did not respond promptly to increased business. At last in 1942 the B&O decided that its venture with the Alton was an unwise move, and so the road once more returned to the control of the courts. It was from this receivership that the GM&O took the Alton in 1947, when the once proud sectional road was joined to the expanding GM&O. This was not just a purchase but a merger, which made the transaction different from previous efforts. The GM&O took the Alton for better or for worse and merged the bankrupt Western road with the solvent aggressive Southern line, thus forming the nation's second midcontinental trunk line from Chicago to the major ports on the Gulf of Mexico. The Alton has become the northern sector of this newest of America's major rail systems.

List of Abbreviations of Railroads

Alton	Alton Railroad
AT&N	Alabama, Tennessee and Northern Railroad
B&O	Baltimore and Ohio Railroad
Burlington	Chicago, Burlington and Quincy Railroad
C&EI	Chicago and Eastern Illinois Railway
C&O	Chesapeake and Ohio Railway
Frisco	St. Louis–San Francisco Railway
GM&N	Gulf, Mobile and Northern Railroad
GM&O	Gulf, Mobile and Ohio
G&SI	Gulf and Ship Island Railroad
IC	Illinois Central Railroad
L&N	Louisville and Nashville Railroad
M&O	Mobile and Ohio Railroad
MSC	Mississippi Central Railroad
NC&STL	Nashville, Chattanooga and St. Louis Railway
NO&NE	New Orleans and Northeastern Railroad
Rock Island	Chicago, Rock Island and Pacific Railway
Santa Fe	Atchison, Topeka and Santa Fe Railway
Southern	Southern Railway
UP	Union Pacific Railroad

Notes

Notes

CHAPTER I

[1] In November, 1952, Mr. Tigrett closed his 32-year career as President of the Gulf, Mobile and Northern–Gulf, Mobile and Ohio, to become Chairman of the Board. F. M. Hicks succeeded him as President of the Gulf, Mobile and Ohio.

[2] The history of the GM&N prior to 1920 and of its predecessors is told in detail in Chapter 22.

[3] *Infra,* p. 139.

[4] *Infra,* p. 78.

[5] *Infra,* p. 77.

[6] *Infra,* p. 80.

[7] All population data used in this chapter have been taken from the reports of the U.S. Bureau of the Census, *Fourteenth Census of the United States: 1920A, Population,* Vol. III (Washington, D.C.: U.S. Government Printing Office, 1922). Section on Mississippi, pp. 527–44; section on Tennessee, pp. 955–82; section on Alabama, pp. 53–72.

[8] Valuation Docket No. 866, Gulf, Mobile and Northern Railroad Company, Interstate Commerce Commission, pp. 775–76.

[9] Gulf, Mobile and Northern Railroad Company (GM&N), *Annual Report for the Year Ended December 31, 1920.* Will henceforth be cited as GM&N, *Annual Report, 1920.*

[10] For evidence which indicates that Mobile since 1920 has improved its position in comparison to New Orleans, see *Mobile: An Economic Appraisal,* prepared by the Bureau of Business Research, School of Commerce and Business Administration, University of Alabama, University, Alabama, 1949.

[11] Data on facilities for the port of Mobile prior to 1920 have been taken from Grosvenor M. Jones, *Ports of the United States,* U.S. Department of Commerce, Bureau of Foreign and Domestic Commerce, Miscellaneous Series No. 33 (Washington, D.C.: U.S. Government Printing Office, 1916), pp. 218–28. Data for 1920 have been taken from *Annual Reports of the War Department, for the Fiscal Year Ended June 30, 1920. Report of the Chief of Engineers, U.S. Army, 1920* (Washington, D.C.; U.S. Government Printing Office, 1920), pp. 881–929 and 2355–70.

[12] *Mobile Chamber of Commerce et al.* v. *Mobile and Ohio Railroad et al.,* 32 ICC 272.

[13] David L. Cohn, *Where I Was Born and Raised* (Boston: Houghton Mifflin Co., 1948), p. 12.

[14] All agricultural data used in this chapter have been taken from the reports of the U.S. Bureau of the Census, *Fourteenth Census of the United States: 1920, Agriculture,* Vol. VI, Part 2 (Washington, D.C.: U.S. Government Printing Office, 1922). Section on Mississippi, pp. 511–48; section on Tennessee, pp. 435–76; section on Alabama, pp. 477–510.

[15] All manufacturing data used in this chapter have been taken from the reports of the U.S. Bureau of the Census, *Fourteenth Census of the United States: 1919, Manufactures,* Vol. IX (Washington, D.C.: U.S. Government Printing Office, 1923). Section on Mississippi, pp. 755–74; section on Tennessee, pp. 1415–46; section on Alabama, pp. 21–46.

[16] E. N. Lowe, *Soils of Mississippi,* Mississippi State Geological Survey, Bulletin No. 8, p. 99.
[17] U.S. Bureau of the Census, *Fourteenth Census of the United States: 1919, Mines and Quarries,* Vol. XI (Washington, D.C.: U.S. Government Printing Office, 1922). See Table 2, p. 42.
[18] *Infra,* p. 302.
[19] GM&N, *Annual Report, 1919.*
[20] *Infra,* pp. 101, 102.
[21] *Ibid.*
[22] *Ibid.*
[23] *Infra,* p. 57, also see p. 70.
[24] See Albert D. Kirwan, *Revolt of the Rednecks* (Lexington: University of Kentucky Press, 1951), pp. 50–57.
[25] Members of the Board, the Executive Committee, and the Officers are all listed in GM&N, *Annual Report, 1920.*
[26] GM&N, *Annual Report, 1919.*
[27] Statement by I. B. Tigrett, personal interview.

CHAPTER II

[1] GM&N, *Annual Report, 1920.*
[2] GM&N, "Minutes," June 17, 1921.
[3] GM&N, "Minutes," August 19, 1921.
[4] H. D. Wolf, *The Railroad Labor Board* (Chicago: University of Chicago Press, 1927), p. 152.
[5] *The Gulf, Mobile and Northern News,* November 4, 1921. Will henceforth be cited as *GM&N News.*
[6] *Infra,* p. 85.
[7] *GM&N News,* July 14, 1922.
[8] GM&N, *Annual Report, 1922.* Wolf, *op. cit.,* pp. 239 ff.
[9] *Railway Age,* LXXIII (July 15, 1922), pp. 98–104. *Railway Age,* LXXIII (July 22, 1922), pp. 161–71. *Railway Age,* LXXIII (August 5, 1922), p. 249.
[10] GM&N, "Minutes," September 22, 1922.
[11] *GM&N News,* July 28, 1922.
[12] GM&N, *Annual Report, 1922.*
[13] *GM&N News,* April 13, 1923.
[14] Statement by Glenn P. Brock, personal interview.
[15] *GM&N News,* February 17, 1932.
[16] *GM&N News,* January 13, 1922.
[17] *GM&N News,* November 4, 1921.
[18] *GM&N News,* January 27, 1922.
[19] *GM&N News,* December 8, 1922.
[20] *GM&N News,* January 5, 1923.
[21] *GM&N News,* October 15, 1923.
[22] *GM&N News,* August 15, 1924.
[23] *GM&N News,* November 7, 1924.
[24] *GM&N News,* December 5, 1924.
[25] *GM&N News,* May 15, 1925.
[26] *GM&N News,* May 29, 1925.
[27] *GM&N News,* December 25, 1925.
[28] *Infra,* pp. 81 ff.
[29] *GM&N News,* January 21, 1927.
[30] *Infra,* p. 115.
[31] *GM&N News,* December 15, 1930.
[32] *Infra,* pp. 85 ff.
[33] *Infra,* p. 97.
[34] *Supra,* pp. 42 ff.
[35] *Railway Age,* LXXXIII (August 13, 1927), pp. 291–93.

[36] *Supra,* pp. 45 ff.
[37] *GM&N News,* August 6, 1926.

CHAPTER III

[1] *GM&N News,* December 2, 1921.
[2] *GM&N News,* September 8, 1922.
[3] *GM&N News,* July 28, 1922.
[4] *GM&N News,* June 8, 1923.
[5] *GM&N News,* April 11, 1924.
[6] *GM&N News,* June 26, 1925.
[7] *GM&N News,* April 7, 1922.
[8] *GM&N News,* January 4, 1924.
[9] *GM&N News,* March 14, 1924.
[10] *GM&N News,* April 11, 1924.
[11] *GM&N News,* October 24, 1924.
[12] *GM&N News,* October 15, 1926.
[13] *GM&N News,* July 15, 1927.
[14] *GM&N News,* August 15, 1927.
[15] *GM&N News,* December 10, 1927.
[16] *GM&N News,* May 25, 1929.
[17] *GM&N News,* April 10, 1930.

CHAPTER IV

[1] *Supra,* pp. 18 ff.
[2] *Supra,* pp. 20, 21.
[3] *GM&N News,* March 2, 1923.
[4] *Ibid.*
[5] GM&N, "Minutes," December 17, 1920; June 17, 1921; April 21, 1922.
[6] *GM&N News,* January 16, 1925.
[7] *GM&N News,* February 25, 1928.
[8] *GM&N News,* April 16, 1926.
[9] T. T. Martin, "The Relation of Chemurgy to Industrial Development" (Speech delivered before the National Chemurgic Council, Cincinnati, Ohio, April 18, 1951).
[10] *GM&N News,* March 25, 1928.
[11] GM&N, "Minutes," November 19, 1926. *GM&N News,* November 26, 1926.
[12] *GM&N News,* August 25, 1929.

CHAPTER V

[1] GM&N, "Minutes," May 6, 1920.
[2] GM&N, "Minutes," August 27, 1920.
[3] GM&N, "Minutes," December 17, 1920.
[4] *Ibid.*
[5] GM&N, "Minutes," June 17, 1921.
[6] GM&N, "Minutes," August 19, 1921.
[7] GM&N, *Annual Report, 1924.* GM&N, "Minutes," August 17, 1923. *GM&N News,* January 16, 1925.
[8] GM&N, *Annual Report, 1918.*
[9] GM&N, "Minutes," April 15, 1921.
[10] GM&N, "Minutes," November 21, 1924. GM&N, *Annual Report, 1924.*
[11] GM&N, "Minutes," July 30, 1926. 117 ICC 550 ff.
[12] The histories of the Birmingham and Northwestern, the Meridian and Memphis, and the Jackson and Eastern, prior to their purchase by the GM&N, are found in Chapter 20.
[13] GM&N, "Minutes," December 3, 1919. GM&N, "Minutes," February 4, 1920.
[14] GM&N, "Minutes," February 16, 1923.
[15] GM&N, "Minutes," July 1, 1923.
[16] GM&N, "Minutes," March 21, 1924. GM&N, *Annual Report, 1924.*

[17] GM&N, "Minutes," May 26, 1927.
[18] GM&N, *Annual Report, 1929.*
[19] See Note 12, this chapter.
[20] GM&N, "Minutes," February 16, 1923.
[21] GM&N, *Annual Report, 1929.*
[22] *Ibid.*
[23] See Note 12, this chapter.
[24] GM&N, "Minutes," June 16, 1922.
[25] GM&N, "Minutes," February 26, 1926.
[26] GM&N, "Minutes," July 30, 1926. GM&N, "Minutes," August 26, 1926. GM&N, *Annual Report, 1926.*
[27] The history of the New Orleans Great Northern prior to its purchase by the GM&N is told in Chapter 21.
[28] GM&N, "Minutes," September 27, 1929.
[29] GM&N, "Minutes," January 8, 1930.

CHAPTER VI

[1] GM&N, *Annual Report, 1919.* GM&N, *Annual Report, 1920.*
[2] GM&N, *Annual Report, 1920.*
[3] GM&N, "Minutes," March 17, 1922.
[4] GM&N, "Minutes," April 21, 1922.
[5] *GM&N News,* September 22, 1922.
[6] *Supra,* p. 36.
[7] GM&N, "Minutes," September 22, 1922. *GM&N News,* October 20, 1922. *GM&N News,* November 24, 1922.
[8] *GM&N News,* December 8, 1922.
[9] *GM&N News,* February 16, 1923.
[10] *GM&N News,* March 30, 1923.
[11] The *News* carried many stories about this effort. Perhaps the best summary statement is found in *Railway Age,* LXXXIII (October 22, 1927), pp. 779–81.
[12] *GM&N News,* June 22, 1923.
[13] *GM&N News,* April 2, 1926.
[14] *GM&N News,* May 29, 1925.
[15] GM&N, "Minutes," April 18, 1924.
[16] *GM&N News,* May 15, 1925.
[17] *GM&N News,* June 12, 1925.
[18] *GM&N News,* December 10, 1926. *Railway Age,* LXXXII (March 26, 1927), p. 993.

CHAPTER VII

[1] All data on the number of passengers per train in this chapter are from U.S. Interstate Commerce Commission, *Statistics of Railways* (Washington, D.C.: U.S. Government Printing Office). In the future, this will be cited as *Statistics of Railways.*
[2] *Supra,* pp. 57 ff. and p. 87.
[3] *GM&N News,* December 25, 1925.
[4] 236 ICC 61.
[5] The comparisons have been developed by the author but the basic data are from *Statistics of Railways* for the years named in the text.

CHAPTER VIII

[1] GM&N, "Minutes," March 4, 1920.
[2] GM&N, *Annual Report, 1920.*
[3] GM&N, "Minutes," May 6, 1920.
[4] GM&N, "Minutes," July 30, 1920.
[5] GM&N, "Minutes," March 17, 1922.
[6] GM&N, "Minutes," July 30, 1920.

[7] GM&N, *Annual Report, 1920.*
[8] *Ibid.*
[9] GM&N, "Minutes," October 29, 1920.
[10] GM&N, *Annual Report, 1920.*
[11] GM&N, "Minutes," March 17, 1922.
[12] GM&N, *Annual Report, 1923.*
[13] All stock quotations are taken from the material in Table 3, p. 106.
[14] GM&N, "Minutes," March 18, 1927.
[15] GM&N, "Minutes," May 27, 1930.
[16] GM&N, "Minutes," September 27, 1929.

CHAPTER IX

[1] GM&N, "Minutes," August 27, 1920. 109 ICC 740–52.
[2] *GM&N News,* March 30, 1923.
[3] See figures 14 and 15, pp. 158 ff.
[4] 186 ICC 137.
[5] *Ibid.*

CHAPTER X

[1] *GM&N News,* January 2, 1931.
[2] GM&N, "Minutes," January 29, 1931.
[3] GM&N, "Minutes," March 26, 1931. GM&N, *Annual Report, 1930.*
[4] GM&N, "Minutes," March 26, 1931.
[5] *GM&N News,* April 15, 1931.
[6] 186 ICC 137.
[7] For a more complete comparison see "The Ten Year Price Range of Domestic and Canadian Railroad Securities" in *Moody's Manual of Investments: Railroad Securities* (New York: Moody's Investors Service Incorporated). In the future this will be cited as *Moody's Railroad Securities.*
[8] GM&N, "Minutes," October 15, 1931; January 21, 1932.
[9] *GM&N News,* November 1, 1932.
[10] *GM&N News,* May 1, 1931.
[11] *GM&N News,* July 9, 1931.
[12] *GM&N News,* September 15, 1931.
[13] *GM&N News,* November 2, 1931.
[14] *Ibid.*
[15] GM&N, "Minutes," January 21, 1932.
[16] *GM&N News,* December 21, 1931.
[17] GM&N, *Annual Report, 1931.*
[18] GM&N, "Minutes," January 26, 1932.
[19] GM&N, *Annual Report, 1932.*
[20] *GM&N News,* February 17, 1932.
[21] GM&N, "Minutes," March 17, 1932.
[22] *GM&N News,* March 3, 1932.
[23] *Ibid.*
[24] *GM&N News,* June 2, 1932.
[25] GM&N, *Annual Report, 1932.*
[26] *Infra,* p. 281.
[27] *GM&N News,* October 3, 1932.
[28] *GM&N News,* December 1, 1932.
[29] Comparative statistics for the years 1931 and 1932 are taken from *Statistics of Railways.*
[30] *GM&N News,* February 1, 1933.
[31] *GM&N News,* April 1, 1933.
[32] *Ibid.*
[33] *Ibid.*
[34] *GM&N News,* June 1, 1933.

[35] *Ibid.*
[36] *GM&N News*, August 1, 1933.
[37] *GM&N News*, July 1, 1933.
[38] *GM&N News*, September 1, 1933.
[39] GM&N, *Annual Report, 1933.*
[40] *Infra*, p. 282.

CHAPTER XI

[1] *GM&N News*, April 16, 1934.
[2] GM&N, "Minutes," November 3, 1934. The history of the M&O prior to its merger with the GM&N is told very briefly in Chapter 23.
[3] *Infra*, p. 147.
[4] *GM&N News*, August 16, 1934.
[5] *GM&N News*, December 27, 1934.
[6] *GM&N News*, April 17, 1935.
[7] *GM&N News*, June 17, 1935.
[8] *Ibid.*
[9] GM&N, *Annual Report, 1935.*
[10] *Ibid.*
[11] GM&N, "Minutes," January 29, 1936.
[12] GM&N, *Annual Report, 1936.*
[13] GM&N, *Annual Report, 1936.* GM&N, "Minutes," September 25, 1936.
[14] Information on the IC contract is taken from GM&N, "Minutes," May 8, 1936, and from *Trackage Rights over Illinois Central from Bemis to Paducah* 109 ICC 106, and from 233 ICC 294, and from 21 Fed. Sup. 283.
[15] GM&N, "Minutes," June 3, 1936.
[16] 217 ICC 592. GM&N, *Annual Report, 1936.*
[17] GM&N, *Annual Report, 1936.*
[18] GM&N, *Annual Report, 1937.*
[19] *GM&N News*, August 18, 1931. *GM&N News*, January 21, 1938.
[20] *GM&N News*, March 19, 1937. *GM&N News*, May 17, 1937.
[21] *GM&N News*, June 17, 1937.
[22] *Statistics of Railways, 1937.*
[23] See *supra*, n. 14, Chap. XI.
[24] GM&N, "Minutes," April 14, 1938.
[25] GM&N, "Minutes," May 17, 1938.
[26] See *supra*, n. 14, Chap. XI.
[27] "Report on Gulf, Mobile and Northern, Mobile and Ohio Merger," Coverdale and Colpitts, Consulting Engineers, 120 Wall Street, New York, N.Y., July 14, 1938.
[28] 233 ICC 294.
[29] GM&N, "Minutes," October 13, 1938.

CHAPTER XII

[1] See *supra*, n. 27, Chap. XI.
[2] GM&N, "Minutes," July 6, 1938.
[3] Both of these men testified in favor of the merger at the hearings held by the Interstate Commerce Commission in Washington. ICC Finance Docket Nos. 12272, *et al.*
[4] See "Plan of Reorganization of Mobile and Ohio Railroad Company Providing for Unified Operation of Properties of Said Company and Properties of Gulf, Mobile and Northern Railroad Company and New Orleans Great Northern Railway Company," dated as of February 15, 1939 (with changes to November 1, 1939).
[5] See *supra*, n. 29, Chap. XI.
[6] *GM&N News*, February 7, 1939.
[7] 236 ICC 61.
[8] Testimony at hearings on ICC Finance Docket Nos. 12272, *et al.*
[9] *Ibid.*

[10] 236 ICC 61.
[11] 236 ICC 95.
[12] GM&N, "Minutes," April 29, 1940.
[13] Letter from Jesse Jones of the Reconstruction Finance Corporation. The letter is on file with the other documents pertaining to the case in the offices of the Comptroller of the GM&O.
[14] GM&N, "Minutes," May 14, 1940.
[15] GM&N, "Minutes," September 10, 1940.

CHAPTER XIII

[1] GM&O, "Minutes," January 14, 1941.
[2] GM&O, *Annual Report, 1941.*
[3] GM&O, "Minutes," July 2, 1941.
[4] *GM&O News,* December 9, 1941.
[5] GM&O, "Minutes," July 18, 1941.
[6] *GM&O News,* July 7, 1941.
[7] *GM&O News,* July 15, 1942.
[8] *GM&O News,* May 15, 1942.
[9] *Ibid.*
[10] *Ibid.*
[11] GM&O, "Minutes," February 17, 1943. 244 ICC 567.
[12] GM&O, "Minutes," July 22, 1943.
[13] GM&O, *Annual Report, 1943.*
[14] GM&O, "Minutes," September 22, 1943.
[15] GM&O, *Annual Report, 1943.* Also, documents on file in the offices of the Comptroller of the GM&O.
[16] GM&O, *Annual Report, 1944.*
[17] *Ibid.*
[18] *GM&O News,* June 15, 1944.
[19] *GM&O News,* October 15, 1944.

CHAPTER XIV

[1] Testimony of F. M. Hicks and E. B. DeVilliers for the GM&O, ICC Finance Docket Nos. 14931–32. See *infra,* pp. 186 ff.
[2] Testimony of Patrick B. McGinnis for the Alton Bondholders, ICC Finance Docket Nos. 14931–32. See *infra,* p. 190.
[3] *Alton Railroad Company Reorganization . . . , Plan of Reorganization Pursuant to Section 77 of the Bankruptcy Act,* ICC Finance Docket No. 14030.
[4] Moody's *Railroad Securities.*
[5] Although there is no direct evidence to prove this position, officials of both the B&O and the GM&O have stated that this was a factor in setting the date for the transaction. Since the B&O had already decided to let the Alton go its own way, the B&O management would try to work out as favorable a disposition of its holdings as possible.
[6] Unless otherwise noted, all material in this section which pertains directly to the merger proceedings will be from the hearings, ICC Finance Docket Nos. 14931–32.
[7] GM&O, "Minutes," May 27, 1947. GM&O, *Annual Report, 1947.*

CHAPTER XV

[1] GM&O, *Annual Report, 1945.*
[2] *Ibid.*
[3] *Ibid.*
[4] GM&O, *Annual Report, 1946.*
[5] *Ibid.*
[6] GM&O, "Minutes," July 16, 1947.

[7] GM&O, *Annual Report, 1947.*
[8] *Ibid.*
[9] *Ibid.*
[10] Unless otherwise noted, all material about this proposal will be from the official record of the transaction before the Commission, 267 ICC 827.
[11] 271 ICC 63.
[12] GM&O, *Annual Report, 1948.*
[13] GM&O, *Annual Report, 1949.*
[14] GM&O, "Minutes," July 27, 1949.
[15] GM&O, *Annual Report, 1949.*

CHAPTER XVI

[1] Unless otherwise noted, all data in this section are taken from the *Annual Reports* of the GM&O.
[2] *GM&O News,* November 16, 1950.
[3] All data pertaining to the Birmingham trackage case has been obtained from the transcript of hearings, ICC Finance Docket Nos. 16989–90.
[4] Operating officials of the IC admitted this in the hearings at Birmingham.
[5] GM&O, *Annual Report, 1950.*
[6] *GM&O News,* October 15, 1951.

CHAPTER XX

[1] All data in this section is from *ICC Valuation Report of the Birmingham and Northwestern Railway Company,* 84 ICC 675, unless otherwise noted.
[2] Moody's, *Railroad Securities,* 1912–29.
[3] Operating data for specific years are taken from the *Yearly Reports of the Birmingham and Northwestern Railway Company* to the Interstate Commerce Commission.
[4] Information on the Birmingham and Northwestern connection with the GM&N is contained in Chapter V.
[5] 154 ICC 479.
[6] All data in this section is from *ICC Valuation Report of the Meridian and Memphis Railway Company,* 125 ICC 746, unless otherwise noted.
[7] *Corporate and Chronological History of the Gulf, Mobile and Northern Railroad Company,* prepared by officials of the GM&N in 1922 to be used as an exhibit in ICC Docket No. 13494. Will henceforth be cited as *Corporate . . . History of the GM&N.*
[8] Moody's, *Railroad Securities,* 1923.
[9] Operating data for specific years are taken from the *Yearly Reports of the Meridian and Memphis Railway Company* to the Interstate Commerce Commission.
[10] *Corporate . . . History of the GM&N.*
[11] *Ibid.*
[12] 154 ICC 479.
[13] All data in this section is from *ICC Valuation Report of the Jackson and Eastern Railway Company,* 103 ICC 539, unless otherwise noted.
[14] Operating data for specific years are taken from the *Yearly Reports of the Jackson and Eastern Railway Company* to the Interstate Commerce Commission.
[15] 70 ICC 110.
[16] Moody's, *Railroad Securities,* 1923.
[17] *Report of the Jackson and Eastern Railway Company* to the Interstate Commerce Commission, 1922.
[18] Moody's, *Railroad Securities,* 1926.
[19] *Ibid.*
[20] *Supra,* pp. 80 ff.

CHAPTER XXI

[1] Steve Perkins, "Bogalusa Was a Frontier Town," *The Times Picayune* Magazine Section (New Orleans), July 2, 1950, pp. 6–8.

[2] New Orleans Great Northern Railroad Company, "Minutes of the Board of Directors," January 27, 1905. Henceforth will be cited as New Orleans Great Northern, "Minutes."

[3] New Orleans Great Northern, "Minutes," August 6, 1906.

[4] Material about the activities of the East Louisiana Railroad Company is taken from the two following sources: (1) a letter from John Poitevent, dated March 15, 1930, which was written in Mandeville, Louisiana, from the offices of the Poitevent and Favre Lumber Company, to Tom Martin, Jr., editor of the GM&N *News* and is in the files of the GM&O Historical Records at Mobile; (2) *ICC Valuation Report of the New Orleans Great Northern,* 133 ICC 825.

[5] East Louisiana Railroad Company, *Report to the Interstate Commerce Comission for the Year Ending June 30, 1903.*

[6] 133 ICC 825.

[7] *Ibid.*

[8] Specific operating data for the New Orleans Great Northern is taken from the *Yearly Reports of the New Orleans Great Northern to the Interstate Commerce Commission* for the years named in the text.

[9] All data in this paragraph are from 133 ICC 825.

[10] *Infra,* p. 295.

[11] *Infra,* p. 305.

[12] Operating statistics for the New Orleans Great Northern since 1920 have been taken from *Statistics of Railways* for the years named in the text.

[13] *Supra,* p. 82.

[14] Much of this same general information about the exchange agreement between the New Orleans Great Northern and the GM&N is included in the chapters on the GM&N. In addition, some other material has been taken from Moody's, *Railroad Securities* for the years from 1930 to 1935.

[15] *Supra,* p. 123.

[16] Moody's, *Railroad Securities.*

[17] *Supra,* p. 122.

CHAPTER XXII

[1] Tom Martin, *The Story of the GM&N Railroad Is the Story of the Post War South.* Manuscript used as basis for newspaper releases by the GM&N in the year 1930. In the historical files of the GM&O *News,* Mobile, Alabama.

[2] There have been numerous stories about W. C. Falkner in the newspapers of the region and in the GM&N *News,* but most of them appear to have been drawn from the work here cited. All of the material about Falkner, unless otherwise noted, is from the following source: Alexander L. Bondurant, *W. C. Falkner—Novelist* (Publications of the Mississippi Historical Society), Vol. III, pp. 113–25.

[3] Some of the descendants of William C. Falkner have changed the spelling of their name to Faulkner.

[4] *Valuation Report of the Gulf, Mobile and Northern Railroad Company,* 124 ICC 765.

[5] Bondurant, *op. cit.*

[6] 125 ICC 765.

[7] *Corporate and Chronological History of the Gulf, Mobile and Northern Railroad Company,* prepared by officials of the GM&N in 1922 to be used as an exhibit in ICC Docket No. 13494. Will henceforth be cited as *Corporate . . . History of the GM&N.*

[8] The material about the G&SI's attempt to regain its former title to government lands is taken from the following source: Alfred W. Garner, Public Services of E. C. Walthall (Publications of the Mississippi Historical Society), Vol. IX, pp. 239–53.

[9] *Ibid.*

[10] Material about the use of Mississippi convicts to build the G&SI is from: J. H. Jones, *Penitentiary Reform in Mississippi.* (Publications of the Mississippi Historical Society), Vol. VI, pp. 111–28.

[11] Dunbar Rowland, *Mississippi . . .* (Atlanta: Southern Historical Publishing Association, 1907), Vol. I, p. 35.
[12] 125 ICC 765.
[13] *Ibid.*
[14] Bondurant, *op. cit.*
[15] 125 ICC 765.
[16] *Ibid.*
[17] *Corporate . . . History of the GM&N.*
[18] *Ibid.*
[19] *Ibid.*
[20] *Ibid.*
[21] *Ibid.*
[22] *Annual Report of the Mobile, Jackson and Kansas City Railroad Company, for the Year Ending June 30, 1900.* Will henceforth be cited as *Annual Report of the MJ&KC.*
[23] *Corporate . . . History of the GM&N.*
[24] *Annual Report of the MJ&KC, 1903.*
[25] *Annual Report of the MJ&KC, 1904.*
[26] *Ibid.*
[27] *Corporate . . . History of the GM&N.*
[28] *Annual Report of the MJ&KC, 1904.*
[29] *Annual Report of the MJ&KC, 1905.*
[30] *Ibid.*
[31] H. S. Jones, "As I Recall It," GM&N *News,* November 3, 1922.
[32] *Corporate . . . History of the GM&N.*
[33] *Ibid.*
[34] The material about the career of R. V. Fletcher was obtained by personal interview. The incidents and dates were verified in Company and public records.
[35] *Corporate . . . History of the GM&N.*
[36] *Annual Reports of the MJ&KC,* 1907 and 1908.
[37] 125 ICC 765.
[38] *Annual Report of the MJ&KC,* 1907 and 1908.
[39] *Annual Report of the MJ&KC, 1909.*
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